

“Encompassing the whole gamut of risks, EWRM is all about promoting interaction between parts of the business to create a firm-wide solution to risk”

Energy & Power Risk Management, July 2000

To effectively monitor and control an entire enterprise's risk profile is the pinnacle of an institution's risk management activity. As enterprise risk management has been increasingly accepted amongst power producers and marketers, buzzwords such as "integrated risk management", "firmwide risk" and "holistic risk management" have been adopted with little definition as to what it really means.

The challenge presented by what is still essentially a concept, is to develop a clear picture of exactly how enterprise risk management is utilised within energy companies. By providing detailed examples of how leading experts are utilising enterprise risk management, this conference will enable delegates to clarify how this approach will operate within their risk management function. By developing a successful enterprise risk management approach, energy companies will be able to develop a cross-border, pan-market strategy that encompasses all risks and products within the organisation.

This programme will be of particular benefit to energy producers and marketers responsible for risk management, control and analytics, capital allocation, and systems development for credit, market and operational risk.

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**Energy
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RISK MANAGEMENT

Developing and implementing effective enterprise risk management for US energy companies

Code : TM

Houston 16 & 17 November 2000

Pre-conference seminar 15 November 2000

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Developing and implementing effective enterprise risk management for US energy companies

Houston 16 & 17 November 2000

CONFERENCE HIGHLIGHTS

- Address the challenges of developing a culture of risk awareness throughout your organisation
- Utilise a risk inventory for effective enterprise risk management
- Examine the impact of FAS 133 on risk and hedge books
- Incorporate real option theory in a deregulated market
- Capitalise on your enterprise risk results to ensure accurate capital allocation
- Implement techniques and benchmarks to measure the success of your enterprise management techniques

15 November 2000 - Pre-conference seminar

Utilising risk management systems to enhance enterprise risk management

- Utilise IT to develop an enterprise risk management system
- Assess the impact of mergers and acquisitions on enterprise risk management systems
- Optimise data management to support enterprise risk management

www.eprm-conferences.com/enterprise

Developing and implementing effective enterprise

Day one, Thursday November 16th

9.00 Registration and breakfast

9.30 Chairperson's opening remarks

9.40

KEY CONSIDERATIONS FOR IMPLEMENTING A SUCCESSFUL ENTERPRISE RISK MANAGEMENT FRAMEWORK

- The impact of deregulation on risk management in the energy industry
 - Identifying traditional roles and responsibilities of credit, market and operational risk management and defining the new structures
 - Developing an effective risk inventory for enterprise risk control
 - Developing an enterprise risk life cycle
 - identify
 - measure
 - manage
 - monitor
 - Measuring total risk exposure
 - Portfolio approaches to measure enterprise risk
 - Hedging different commodities within a global risk system
- [Glenn Labhart](#),
Chief Risk Officer,
DYNEGY INC.

10.20

TECHNIQUES AND STRATEGIES FOR EFFECTIVE ENTERPRISE-WIDE RISK MANAGEMENT

- Forward prices are different from expected spot prices
 - in financial markets
 - in electricity markets
- Risk management from a corporate perspective
 - hedging a short position with futures or options
 - implementing a corporate-level risk management policy

[Ehud I. Ronn](#),
Professor of Finance, McCombs School of Business,
UNIVERSITY OF TEXAS AT AUSTIN

11.00 Morning break

11.30

USING FORWARD CURVES IN ENTERPRISE RISK MANAGEMENT

- Defining forward price and volatility curves
- The importance of forward price curves in enterprise risk management
- Techniques for forward curve construction
 - within a liquid market
 - within an illiquid market
 - econometric techniques
 - analytical methods vs. Monte Carlo
- Examining how movements affect the risk exposure
- How accurate is risk quantification based upon forward curves?

[Craig Pirrong](#),
Professor of Finance,
OLIN SCHOOL OF BUSINESS, WASHINGTON UNIVERSITY

12.10

DEVELOPING CREDIT RISK SYSTEMS FOR IMPROVED CREDIT RISK ANALYSIS

- Overview of the current energy marketplace
 - wholesale
 - retail
 - eCommerce
- Challenges for today's credit professional
- Credentials for successful credit management
- Dynegy's credit system - vision and reality

[Peter J. Pavluk](#),
Credit Director,
DYNEGY INC.

12.50 Lunch

2.10

INTEGRATING MARKET AND CREDIT RISK WITHIN AN ENTERPRISE RISK MANAGEMENT FRAMEWORK

- Similarities and differences in market and credit risk analysis
- Integrating analysis results
- Examining relevant models
- Determining whether correlation between risks can be calculated

[Frank Hilton](#),
Managing Director, Credit Risk,
AMERICAN ELECTRIC POWER

2.50

TECHNIQUES FOR THE CLARIFICATION AND QUANTIFICATION OF OPERATIONAL RISK

- Defining operational risk within an energy company
- Identifying operational risks specific to the energy industry
- Establishing goals for operational risk management
- How do you quantify the un-quantifiable?
- Combining qualitative and quantitative operational risk management techniques

[Kevin Kindall](#),
Manager,
ENRON

3.30 Afternoon break

4.00

EXAMINING YOUR ENTERPRISE RISK MANAGEMENT FOLLOWING MERGERS AND ACQUISITIONS

- Reassessing total consolidated exposures of the new enterprise
- Integrating risk management reporting and monitoring systems
- Synchronising risk management policies and control procedures

[Shannon Burchett](#),
President and CEO,
RISK LIMITED CORP.

4.40 Chairperson's closing remarks

4.50 End of day one

Enterprise risk management for US energy companies

Day two, Friday November 17th

9.00 Registration and breakfast

9.30 Chairperson's opening remarks

9.40 IMPACT OF FAS 133 ON A FIRM-WIDE RISK APPROACH

- Hedge documentation requirements
- Derivative disclosure rules
- Need for consistent application of accounting rules firm-wide
- Benefits of a comprehensive policies and procedures document

Phillip Merrill,
Chairman,

GARP FAS 133 WORKING GROUP

10.20 FAS 133 RULES AND HOW THEY WILL AFFECT HEDGE BOOKS

- The shift in responsibility from accountancy to risk management
- Examining fundamental issues governing energy products
- Rules for weather derivatives and other new instruments
- The impact on proprietary and hedge books and how to effectively manage the different accounting treatment

Nancy Bowler,
Regional Vice President, Hedging and Optimization,
EDISON MISSION MARKETING & TRADING

11.00 Morning break

11.30 CASE STUDY: UTILISING AN ASSET-BASED APPROACH FOR ENTERPRISE RISK MANAGEMENT

Martin Gellen,
Director of Enterprise Wide Credit,
PG&E

12.10 INCORPORATING REAL OPTION THEORY WITHIN A DEREGULATED MARKET

- Why the deregulated market encourages the use of real option theory
- Identifying strategic investments for inclusion within the trading book
- Creating an accurate valuation and investment process
- Assessing the impact of commodity prices on real option valuation
- Combining your enterprise wide assets to form a real option portfolio
- Precautions and adjustments when applying real options theory to valuing physical assets

Sailesh Ramamurtie,
Vice President and Risk Control Officer & Risk Control Officer
SEI Americas Group,
SOUTHERN COMPANY ENERGY MARKETING

12.50 Lunch

2.10 ANALYSING CAPITAL ALLOCATION TECHNIQUES AND THEIR ROLE IN ENTERPRISE RISK MANAGEMENT

- Need for capital allocation in the corporate-wide context
- The nature of the risk/return tradeoff
- How is uncertainty different from risk?
- Towards a practical unifying analytic framework-real options
- Framing the problem-analysing investment objectives and risk objectives
- Types of efficiency measures
- The RAROC framework
- Use of VaR in a capital allocation context
- Advantages and disadvantages of VaR for capital allocation
- Alternatives to VaR
- Advantages and disadvantages to portfolio optimisation
- Calculating effective risk/reward ratios-specific examples
- Stress testing
- Stochastic dominance rating criteria
- Assumptions and limitations of suggested approaches

Peter Nance,
Senior Principal,
TEKNECON, INC.

2.50 Afternoon break

3.05 CASE STUDY: AUDITING ENTERPRISE RISK MANAGEMENT APPROACHES AND RESULTS

Jo Fuller,
PECO ENERGY

3.45 Chairperson's closing remarks

3.55 End of conference

9.00 Registration and breakfast

9.30 OPTIMAL DATA MANAGEMENT TO SUPPORT ENTERPRISE RISK MANAGEMENT SYSTEMS

- Establishing data requirements for enterprise risk management
- Identifying sources of relevant data
- Ensuring the accuracy of risk management data throughout the company
- Addressing typical data challenges within the energy industry
- Storing and retrieving data for future risk management decisions

10.15 Morning break

10.45 UTILISING INFORMATION TECHNOLOGY TO DEVELOP AN ENTERPRISE-WIDE RISK MANAGEMENT SYSTEM

- Key requirements for an enterprise-wide risk management system
 - risk types
 - systems architecture and programming languages
- Examining the relationship between information systems and risk management
 - educating different functions
- Combining different energy commodities and risk types in one system
 - flexibility for new products and regulatory changes
- Integrating front, middle and back office
 - internet/intranet technology
 - middleware
 - data warehousing

11.30 EXAMINING KEY CONSIDERATIONS AND ASSESSING THE EFFECTIVENESS OF CREDIT RISK SYSTEMS WITHIN AN ENTERPRISE RISK MANAGEMENT FRAMEWORK

- The effects of incomplete data
- Designing the interface with commercial and accounting systems
- The problem of inconsistent counterparty tables and how to overcome it
- Using "Grid Technology" to provide ease of access to credit data
- Continuously improving credit risk management capability through information technology

12.15 Lunch

1.15

THE ROLE OF CREDIT AS ECOMMERCE CHANGES THE ENERGY INDUSTRY

- The emergence of net markets
- Facets of risk management in energy
- How business decisions are automated
- Improving risk management through net markets
- Benefits of thorough risk analysis
- Assumptions and realities of credit and financing

2.00 Afternoon break

2.15

COPING WITH THE COMPLEXITIES OF MERGERS AND ACQUISITIONS ON SYSTEMS DEVELOPMENT

- Integrating the architecture of different systems
 - selecting a single system; compromising solutions
- Utilising middleware to combine new and old systems
- Resolving language mismatches
- Overcoming vendor software clashes

3.00

DEVELOPING EFFECTIVE ENTERPRISE RISK MANAGEMENT SYSTEMS FOR ENERGY COMPANIES

- Key factors for successful risk system implementation
- Developing an effective process to manage client expectations
- Translating client specific requirements into useful functionality
- Leveraging client knowledge and experience to enhance your system
- Developing an effective marketing campaign for new system functionality

3.45 End of seminar

SEMINAR LEADERS INCLUDE:

Shannon Burchett, Risk Limited Corp.
Randy Baker, Duke Energy
Mark Randle, Sempra Energy
Frank Wendt, eCredit Corporation
Peter Antoniadis, Algorithmics Inc.

Enterprise Risk Management (ERM) can be defined as the: “ 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 risk to be within its risk appetite, to provide reasonable assurance regarding the achievement of entity objectives.” Enterprise Risk Management “ Integrated Framework, the Committee of Sponsoring Organisations, COSO, 2004.