Q. **Reference: Technical Conference**

In Hydro's Capital Risk Rating Matrix, the likelihood values of 1, 2, 3, 4 and 5 correspond to probabilities of less than 1%, 1% to 10%, 10% to 50%, 50% to 90%, and greater than 90%, respectively. In Newfoundland Power's risk matrix, (NP CBA 2023 Capital Budget Overview, Appendix C, p.4) the corresponding probabilities are 0 to 10%, 11% to 25%, 26% to 75%, 76% to 90%, and 91 to 100%.

a) Why are the assigned probabilities different?

b) In its research on this methodology, did Hydro find that there was no uniformity in the assignment of probabilities to each of the likelihood values of 1 to 5, i.e., is it at the discretion of the utility?

A. **a)** Newfoundland and Labrador Hydro's ("Hydro") and Newfoundland Power Inc.'s risk matrices were developed independently. Hydro's Capital Risk Evaluation Matrix is an extension of Hydro's Enterprise Risk Management System, which was developed in alignment with ISO 31000. ISO 31000 is not prescriptive regarding the quantification of risk likelihood indices. Instead, it provides guidance on how organizations shall develop risk management frameworks that align with the internal and external context of the organization. As such, the risk management frameworks developed and implemented by different organizations will not necessarily be consistent.

b) Through its research, Hydro has found that there is no uniformity in the assignment of probabilities to each of the likelihood values or the number of likelihood values utilized by different organizations. In some cases, the likelihood values utilized are purely qualitative (e.g., rare, unlikely, possible, likely, almost certain) with no probability assigned.