

2020 Approved Corporate Incentive Goals

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Changes from the October 30, 2019 BPWG meeting presentation are noted in **RED**.

Background

- A portion of the NYISO's employee compensation is at-risk and determined by performance in achieving the Annual Incentive Plan
- Each year, annual goals are developed by NYISO management with input from the Board of Directors and from Market Participants
 - NYISO management reviews the proposed goals at the Budget & Priorities Working Group (BPWG) to allow for stakeholder discussion and input
- The Board of Directors is responsible for approving the goals identified in the Annual Incentive Plan
- The Board approved the 2020 Corporate Incentive Goals on November 19, 2019
 - The only change from the goals presented to the BPWG on October 30, 2019 is the addition of the EMS/BMS project to the Key Project Initiatives – Deploy by March 31, 2020

Gateway Goals

Gateway Goals

■ Gateway goals

- Built around NYISO's core business responsibilities
 - Reliability
 - Markets
 - Planning

■ **Have no potential to increase the incentive payout**

- Can only have a negative impact -- if they are not achieved

Reliability Gateway Goals

GOAL 1

■ Maintain Load

- No interruption of load because of improper implementation of NYISO operating procedures by the NYISO
- The successful achievement of this goal is based upon the NYISO staff operating the bulk power system in compliance with NERC, NPCC, and related NYISO operating procedures

■ Consequences:

- Failure to achieve this goal will result in a 100% reduction to the corporate incentive payout

Reliability Gateway Goals

GOAL 2

■ Reliability Standards Violations

- The NYISO will maintain compliance with NERC Reliability Standards including Planning and Critical Infrastructure Protection Standards

■ Consequences:

- Failure to achieve this goal will result in an annual incentive amount decrease equal to any financial penalty. (For example, if the NYISO is penalized \$50k for a reliability violation, the bonus pool for corporate goals and objectives will be reduced by such amount. If penalties exceed the total bonus pool amount then there will be no bonus payout in that year.)
- Consequences Continued on Next Slide

Reliability Gateway Goals

GOAL 2 continued

■ Consequences Continued:

- Formal notification of non-compliance with a NERC standard with a violation severity level of medium, high or severe and a medium to high risk factor will result in an incentive payout reduction with higher reductions for higher severity levels or risk factors. However, the penalty percentage will be reduced by half for self identified issues.

	Violation Severity Level			
Violation Risk Factor	Lower	Moderate	High	Severe
Lower	N/A	N/A	N/A	N/A
Medium	N/A	10% Reduction	10% Reduction	10% Reduction
High	N/A	10% Reduction	20% Reduction	20% Reduction

Reliability Gateway Goals

GOAL 2 continued

- **Reliability Standards Violations**

- The NYISO will maintain compliance with NYSRC Rules

- **Consequences:**

- NYSRC Rule non-compliance will result in a 10% reduction to the corporate incentive payout. However, the penalty percentage will be reduced by half for self identified issues. (This metric is based on the NYSRC maintaining its current policies. Should the NYSRC change its policies, the NYISO reserves the option of changing this metric.)

Market Gateway Goals

GOAL 3a & 3b

■ **Functionality**

- Day-Ahead Market (DAM) Schedules are posted 100% of the time, and
- Market Information System (MIS) Availability is greater than or equal to 99.75%

■ **Consequences:**

- Failure to achieve either of these goals will result in a 100% reduction in the corporate incentive payout

Market Gateway Goals

GOAL 4

■ Excellence in Execution

- The NYISO, through its actions, will not cause a Market Problem with a material, adverse impact on the market greater than \$100M in a year (12-month period)

■ Consequences:

- Failure to achieve this goal will result in a 100% reduction in the corporate incentive payout

Quality Goal

Quality Goal

GOAL 5 Quality Focus (25%)

- **The NYISO will demonstrate a strong commitment to quality. The NYISO's work will be of a high quality as measured by a minimal number and magnitude of quality defects.**

Higher Impact Defects Include:

- A market problem or a tariff violation with an impact greater than \$1M (as measured up to five years prior to identification)
- Unplanned outages of critical systems greater than eight hours due to, for example, operational or cyber security issues
- A qualified audit opinion on the Service Organization Controls (SOC 1) Report

Lower Impact Defects Include:

- A market problem or a tariff violation with an impact greater than \$100K, excluding those that are self identified (as measured up to five years prior to identification)
- Unplanned outages of critical systems greater than 1 hour and less than 8 hours due to, for example, operational or cyber security issues
- Failure to timely provide key Planning deliverables. The Gold Book will be posted for stakeholders no later than 4/30 and the Reliability Needs Assessment by 11/30
- DAM schedules posted in time for Real-Time but after 11AM Tariff deadline

Quality Goal

GOAL 5 Quality Focus Continued

- Achievement will be assessed based on the following:

	Threshold Payout (50%)	Target Payout (100%)	Superior Payout (150%)
Higher Impact Defects	No more than one <i>and</i>	None <i>and</i>	None <i>and</i>
Lower Impact Defects	9 or fewer	4-6	3 or fewer
Possible Achievement	12.5%	25%	37.5%

Note: If there is one Higher Impact Defect then Threshold is the maximum achievement possible and can only be achieved if there are fewer than 9 Lower Impact Defects.

Strategic Goals

Strategic Goals

GOAL 6 – Goal 6A Business Plan Projects (25%)

- The NYISO will deliver the (23) major projects identified in the Business Plan during 2020.
- Achievement will be assessed based on the following:

	Threshold Payout (50%)	Target Payout (100%)	Superior Payout (150%)
Possible Achievement	No more than 4 missed projects	No more than 3 missed projects	No more than 2 missed projects
	12.5%	25%	37.5%

Strategic Goals

GOAL 6 Project Initiatives

- **Goal 6B – Key Project Initiatives (30%)**
 - Achievement will be assessed based on the following:

	Threshold Payout (50%)	Target Payout (100%)	Superior Payout (150%)
Possible Achievement	No more than 2 missed Key Projects	No more than 1 missed Key Project. EMS/BMS must be deployed by March 31.	No missed Key Projects
	15%	30%	45%

Strategic Goals

GOAL 6 - Goal 6B Key Project Initiatives (30%)

- (#1) Distributed Energy Resources Participation Model – Software Design
- (#2) Energy Storage Resource Participation Model - Deployment
- (#3) Expanding Capacity Eligibility – Development Complete
- (#4) Demand Curve Reset – Study Complete
- (#5) Hybrid Storage Model – Market Design Complete
- (#6) Comprehensive Mitigation Review – Market Design Complete
- (#7) Carbon Pricing – Functional Requirements
- (#8) EMS/BMS Upgrade – Deploy by March 31st

Strategic Goals

GOAL 6 - Goal 6B Key Project Initiatives (30%)

■ (#1) Distributed Energy Resources Participation Model – Software Design

In 2020, a Software Design deliverable will allow for Deployment in 2021 upon approval from stakeholders and the Board, as well as FERC acceptance of tariff revisions.

Software Design is for new software and/or modifications to existing software that supports the business approved functional requirements. Implementation of the dispatchable distributed energy resource participation model in the wholesale markets will include software to facilitate:

- Eligibility and Registration
- Aggregations and Modeling
- Bidding and Scheduling
- Performance obligations
- Metering and Telemetry requirements
- Measurement and Verification
- Settlements and Cost Allocation
- Capacity market participation
- Interconnection, CRIS, and incorporation into planning studies
- Market mitigation
- Dual participation in retail/distribution programs
- Changes to existing demand response programs to enable this effort

Strategic Goals

GOAL 6 - Goal 6B Key Project Initiatives Continued (30%)

- **(#2) Energy Storage Resource (ESR) Participation Model - Deployment**

The ESR participation model will capture the unique operational characteristics of ESRs, including their ability to withdraw and inject energy onto the grid, and establish rules for participation in the NYISO's Energy, Installed Capacity, and Ancillary Services markets. This project is a continuation of the implementation project started in 2019. The objective of the project in 2020 is Deployment.

Strategic Goals

GOAL 6 - Goal 6B Key Project Initiatives Continued (30%)

- **(#3) Expanding Capacity Eligibility – Development Complete**

The successful implementation of these market changes is dependent on developing software to account for short duration resources and their corresponding capacity values. The NYISO will begin the deployment phase of this project in 2020 and intends to implement the capacity values from its first study for the 2021-2022 Capability Year. This project has high benefits as the NYISO is expecting that a large number of short duration resources will enter the market in the coming years. This project seeks to improve the efficient operation of the grid with respect to these new resources.

Strategic Goals

GOAL 6 - Goal 6B Key Project Initiatives Continued (30%)

- **(#4) Demand Curve Reset (DCR) – Study Complete**

The 2020 objectives and deliverables for this project include a report by the DCR consultant and the NYISO recommendations addressing the ICAP Demand Curves for the 2021/2022 Capability Year, as well as the parameters and assumptions to be used in conducting the subsequent annual updates to derive the ICAP Demand Curves for the 2022/2023, 2023/2024, and 2024/2025 Capability Years.

The process culminates in a filing on or before November 30, 2020 of the proposed curves for the first year of the reset period (i.e., the 2021/2022 Capability Year), along with the assumptions and methodology to be used to set demand curves for the subsequent three Capability Years of the reset period (i.e., the 2022/2023, 2023/2024 and 2024/2025 Capability Years).

Strategic Goals

GOAL 6 - Goal 6B Key Project Initiatives Continued (30%)

- **(#5) Hybrid Storage Model – Market Design Complete**

This project seeks to develop market participation rules for front-of-the-meter renewable generators collocated with Energy Storage Resources, with a 2020 milestone of Market Design Complete. This deliverable includes a consumer impact analysis and a Market Design Complete presentation to stakeholders. 2020 project efforts will build on work completed as part of the Energy Storage Resource and DER Integration initiatives, by developing market rules that better integrate large-scale weather dependent and energy storage resources co-located behind a single interconnection point.

Strategic Goals

GOAL 6 - Goal 6B Key Project Initiatives Continued (30%)

- **(#6) Comprehensive Mitigation Review – Market Design Complete**

The NYISO will perform a comprehensive review to examine the current buyer-side mitigation framework and principles to determine whether the rules efficiently mitigate concerns of buyer-side market power for both traditional and new resource types with both private and public funding considerations. The 2020 goal for this project is Market Design Complete. As part of the review, alternative methods to perform the Mitigation Exemption Test for new resources and Additional CRIS projects will be considered.

Strategic Goals

GOAL 6 - Goal 6B Key Project Initiatives Continued (30%)

- **(#7) Carbon Pricing – Functional Requirements**

This phase of the NYISO's carbon pricing project will develop Functional Requirements to effectuate the NYISO's carbon pricing proposal.

Strategic Goals

GOAL 6 - Goal 6B Key Project Initiatives Continued (30%)

- (#8) EMS/BMS Upgrade – Deploy

This is a multi-year project to upgrade both the Energy Management System (EMS) and the Business Management System (BMS). The EMS encompasses the core reliability functions used by the system operators such as load flow and contingency analysis. The BMS encompasses the day ahead and real time energy market functionality. In this phase for 2020, achievement will be measured based on the NYISO completing the following deliverables:

- Complete all site acceptance and parallel testing necessary for system go-live readiness
- Deploy production environments of new EMS/BMS platform in preparation for go-live
- Complete EMS/BMS Workstation Upgrade and PI System Upgrade projects
- Deploy by March 31st

Note: Specific deployment dates must be managed in consideration of system conditions. If weather or grid operating conditions necessitate a minor delay from the targeted go-live of March 31st, this goal will still be considered to be achieved on-time.

Strategic Goals

Goal 6 Project Reprioritization Process

Reprioritization Process – If reprioritization of Project Initiatives is required a presentation to the Board of Directors will occur to identify the following:

- 1) Reason for the reprioritization (i.e. Regulatory Action or Order, Market Inefficiency)
- 2) Project deliverables that will be adjusted
- 3) Newly identified projects that will be added to the work plan
- 4) Stakeholder feedback regarding the reprioritization as received from the Budget & Priorities Working Group
- 5) Project Status reporting will be reviewed and updated for impacted projects. The intent of this step is to provide transparency regarding the status and specific reasons projects are being deferred or eliminated. A recommendation will be provided to the Board of Directors regarding if there should be any project “misses” identified for the purpose of the incentive plan.

The project plan will be modified to reflect the revisions and the incentive achievement will be measured against the revised plan, unless the Board of Directors provides definitive direction not to implement the reprioritization effort or recommends an alternate approach regarding the incentive plan.

Strategic Goals

GOAL 7 – Customer Focused Interconnection Process (5%)

- The NYISO will build upon the Class Year Redesign project by improving the clarity of the interconnection procedures and bolstering the reference documentation and guidelines available to assist developers in navigating the interconnection process.
- Achievement will be assessed based on the following :

	Threshold Payout (50%)	Target Payout (100%)	Superior Payout (150%)
Possible Achievement	The NYISO will update the Transmission Expansion and Interconnection Manual to describe new procedures resulting from the Class Year Redesign project and to clarify existing procedures, considering stakeholder feedback.	Extend Threshold objectives to include the creation of supplemental reference material for developers, including but not limited to a Frequently Asked Questions document.	Extend Target objectives to include the creation of a training module to be offered to developers and interested stakeholders to provide guidance on navigating the interconnection process.
	2.5%	5%	7.5%

Strategic Goals

GOAL 8 – Customer Satisfaction and Performance Index (5%)

- The Customer Satisfaction and Performance Index is comprised of multiple survey feedback channels (Annual Customer Survey, Customer Inquiry Survey, Ongoing Performance Assessment, and the CEO Strategic Outreach Survey). The feedback we receive from our customers is aggregated into a real-time, 12-month rolling average index to assure transparency and inform our stakeholders.
 - Achievement will be assessed for the customer satisfaction and performance objective as follows:

	Threshold Payout (50%)	Target Payout (100%)	Superior Payout (150%)
Possible Achievement	84.5% Result	86% Result	87% Result
	2.5%	5%	7.5%

Strategic Goals

GOAL 9 – Cost Management (5%)

- **NYISO will manage annual operating cost to a level below the approved annual Rate Schedule 1 Revenue Requirement (\$) while achieving the 2020 project commitments in the Business Plan.**
 - Achievement will be assessed based on the following relative to budget:

	Threshold Payout (50%)	Target Payout (100%)	Superior Payout (150%)
Possible Achievement	1.5% below	2.5% below	3.5% below
	2.5%	5%	7.5%

Strategic Goals

GOAL 10 – Organizational Effectiveness and Skills Assessment (5%)

- Having a skilled and diverse workforce and adequate bench strength and knowledge in critical positions is key to NYISO’s organizational effectiveness. This goal will develop comprehensive plans targeting identified technical, business and leadership skills gaps in knowledge, skills and abilities in all positions defined as critical to achieving the NYISO’s mission.
 - Achievement will be assessed based on the following :

	Threshold Payout (50%)	Target Payout (100%)	Superior Payout (150%)
Possible Achievement	<u>Develop</u> comprehensive plans focused on closing identified skills gaps in 100% of the positions defined as critical, where there is either a lack of adequate bench strength or not enough depth of knowledge.	<u>Implement</u> comprehensive plans focused on closing identified skills gaps in 50% of the positions defined as critical, where there is either a lack of adequate bench strength or not enough depth of knowledge.	<u>Implement</u> comprehensive plans focused on closing identified skills gaps in 100% of the positions defined as critical, where there is either a lack of adequate bench strength or not enough depth of knowledge. Demonstrate that <u>implementation</u> of the plans has been <u>completed</u>
	2.5%	5%	7.5%

Our mission, in collaboration with our stakeholders, is to serve the public interest and provide benefit to consumers by:

- Maintaining and enhancing regional reliability
- Operating open, fair and competitive wholesale electricity markets
- Planning the power system for the future
- Providing factual information to policymakers, stakeholders and investors in the power system



Questions?