



## **2003 BUDGET VS ACTUAL RESULTS**

*(\$ in millions)*

**Report to:**

***Budget, Standards & Performance subcommittee***

***February 17, 2004***



# 2003 Budget vs. Actual Results SUMMARY

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Reason	Description	\$ Amt
Spending	2003 Budget vs. Actual underrun (see details on slides within this presentation)	\$1.3
Load	RS1 collection shortfall on original invoices	<u>\$0.9</u>
Total Potential Refund Due to MPs		\$2.2

# 2003 Budget vs. Actual Comparison

## (\$ in millions)

	<u>Budget</u>	<u>Actual</u>	<u>\$ Variance Over/(Under)</u>	<u>% Variance Over/(Under)</u>	<u>Variance Explanation</u>
Capital	\$31.9	\$30.3	(\$1.6)	(5.0%)	see pg. 4
Salaries & Benefits	\$38.0	\$37.6	(\$0.4)	(1.1%)	n/a
Consultants	\$28.7	\$20.7	(\$8.0)	(27.9%)	see pg.5 & 6
Legal	\$6.5	\$7.8	\$1.3	20.0%	see pg. 7
Building Services	\$3.8	\$3.3	(\$0.5)	(13.2%)	see pg. 8
Project Dev. & Computer Services	\$20.5	\$24.9	\$4.4	21.5%	see pg. 9
Insurance	\$6.1	\$6.7	\$0.6	9.8%	see pg. 10
Telecommunications	\$3.3	\$3.1	(\$.2)	(6.1%)	n/a
BOD/Training/NPCC Fees/Debt Service	\$23.0	\$22.5	(\$0.5)	(2.2%)	n/a
FERC Fees	<u>\$5.0</u>	<u>\$7.9</u>	<u>\$2.9</u>	<u>58.0%</u>	see pg. 10
<b>TOTAL BUDGET</b>	<b>\$166.8</b>	<b>\$164.8</b>	<b>(\$2.0)</b>	<b>(1.2%)</b>	
Less: Revenues	(\$1.6)	(\$1.0)	\$0.6	37.5%	see pg. 11
Less: Financing	<u>(\$47.1)</u>	<u>(\$47.0)</u>	<u>\$0.1</u>	<u>0.0%</u>	n/a
<b>Required Cash via Rate Schedule #1</b>	<b>\$118.1</b>	<b>\$116.8</b>	<b>(\$1.3)</b>	<b>(1.1%)</b>	



# Budget vs. Actual Explanations

## Capital (\$1.6)

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1. Hardware (DSS project) - (\$2.0)

Less hardware was required for the DSS project than originally anticipated, and the amount purchased was less costly than budgeted.

2. Hardware & Software (EAI project) - (\$0.6)

Software was \$0.6M higher than anticipated since NYISO upgraded to a newer EAI software product line sooner than expected. There were certain features in this version that could also be used to upgrade NYISO's web posting interface. A \$1.2M underrun on hardware exists as NYISO was able to leverage existing hardware.

3. Software (baseline) - \$1.0

Certain purchases that were budgeted under Computer Services had actual costs that were reclassified to Capital.



# Budget vs. Actual Explanations

## Consultants (\$8.0)

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1. Onsite Contractors - (\$5.0)

Rate of hiring for onsite contractors was slower than anticipated, and many onsite contractors were hired at lower rates than originally budgeted.
2. Other Consultants - (\$1.3)

An underrun of \$1.0 was achieved on LECG and Potomac consulting services for MMU. The LECG underrun was caused since MMU changed the criteria used for price reservations/ corrections. This resulted in less usage of LECG. With regard to Potomac, MMU is utilizing less costly resources at Potomac than in prior years. Also, MMU postponed ~\$0.3M in consulting work related to the SMD 2.0 project until 2004.
3. Other Consultants - (\$0.3)

The PCC security upgrade was delayed due to contractual issues with the architectural consultant.



# Budget vs. Actual Explanations

Consultants (\$8.0) *continued*

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4. Other Consultants - (\$1.0)

Actual costs for the ICAP Automation budget line item were reclassified to project development costs ( within Computer Services.)

5. Other Consultants - (\$0.4)

Various over and underruns.



# Budget vs. Actual Explanations

Legal \$1.3

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Legal - \$1.3

	<u>Budget</u>	<u>Actuals</u>	<u>Variance</u>
General	\$3.4	\$6.1	\$2.7
SMD	\$3.1	\$1.0	(\$2.1)
8/14/03 Blackout	<u>\$0.0</u>	<u>\$0.7</u>	<u>\$0.7</u>
Totals	\$6.5	\$7.8	\$1.3

The actual costs for external counsel in 2003 exceeded the budget due to significant legal efforts taken with respect to the 8/14/03 Blackout and certain extraordinary situations occurring in early 2003.



# Budget vs. Actual Explanations

## Building Services (\$0.5)

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1. Building Services - (\$0.2)  
Several existing mainframe leases were replaced with less costly renewals.
2. Building Services - (\$0.2)  
The rent for Wolf Road was lower than budgeted.
3. Building Services - (\$0.1)  
Various over and underruns.





# Budget vs. Actual Explanations

Project Development & Computer Services \$4.4

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1. Project Development (General) - \$4.8  
NYISO was not able to staff certain projects with onsite contractors as quickly as projected, and therefore, outsourced certain project development efforts to outside consultants.
2. Project Development (ICAP Automation) - \$1.2  
The actuals for the ICAP Automation budget line item were reclassified to project development costs (under Computer Services.)
3. Software Licenses - (\$1.0)  
Certain purchases that were budgeted under Computer Services had actual costs that were reclassified to Capital.
4. Software Licenses - (\$0.6)  
NYISO was able to obtain budget savings by restructuring multiple existing licensing and maintenance agreements.



# Budget vs. Actual Explanations

Insurance \$0.6

FERC Fees \$2.9

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The overrun on Insurance resulted from higher than expected increases on property & liability insurance premiums.

The overrun on FERC Fees occurred due to a higher than anticipated assessment from FERC on their second annual fee assessment.



# Budget vs. Actual Explanations

Revenues (\$0.6)

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1. MP Training Revenue - (\$0.3)  
Market participant training for SMD 2 was postponed until 2004.
2. MP Training Revenue - (\$0.2)  
Some MP training classes were held online, rather than in person. The online courses generate less revenue than typical training courses. Also, fewer NYMOC courses were held than anticipated.
3. Other Miscellaneous Revenues - (\$0.1)  
Various over and underruns.



# Treatment of 2003 Budget Underrun

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- The underrun from the 2003 budget will be revisited with market participants in April 2004 after the conclusion of the annual financial audit.
- The Board of Directors will also review the 2003 budget vs. actual results at that time.
- Any rebates to market participants (who contributed during 2003) would occur via reduction of Rate Schedule #1 in future settlement invoices.