

Detailed Explanation of Incentive Goals for 2003:

1. Reliability Gateway Goal - Maintain Service to New York Control Area Achieving No Interruption of Load (> 300 MW for > 15 minutes) Because of Improper Implementation of NYISO Operating Procedures.

Definition:

The Reliability Gateway is a “go/no-go” goal, which emphasizes the importance of maintaining system reliability. Both Gateway goals must be achieved for there to be any payment earned under the NYISO Organizational Incentive Plan – even if all of the other goals are achieved. The successful achievement of this Gateway is based upon the NYISO staff operating the bulk power system in compliance with all internal operating procedures, as well as those of NPCC, NERC and the DOE.

Should there be a loss of load or deliberate load shedding, successful achievement of this goal is predicated upon the NYISO staff demonstrating, to the satisfaction of the CEO and the NYISO Board of Directors that the appropriate procedures were followed (i.e., the loss of load or deliberate load shedding did not result from inappropriate actions of the NYISO staff). Appropriately documenting the circumstances associated with a loss of load or deliberate load shedding event is the responsibility of the NYISO staff.

In the event of a loss of load, the Operating Committee will review the events and provide their comments to the NYISO. The CEO and Board of Directors will exercise their discretion in determining whether or not this goal was achieved, to establish that the NYISO is responsible (to the extent of its bonus pool) if NYISO procedures are not followed and, as a result, service to NYCA load is not maintained.

Why this is a challenge:

A Gateway Goal should send the proper signal to employees about mission-critical activities. At the same time, because achieving the Gateway is a minimal threshold, there should be a very high likelihood of attainment (99+ %) with the appropriate level of commitment and support from staff.

How it is tracked:

System Operators actions are logged, and in the event that a load shed order is given analysis of the recorded data would provide the amount of load shed and the duration.

Comparison to 2002:

This Reliability Gateway is identical to the goals used in 2002, 2001 and 2000. Since the NYISO began operations in 1999, there have been no instances of load shedding.

Alternatives:

The target levels for this goal are chosen to coincide with a NERC reportable event (>300 MW for >15 minutes).

Alignment with strategic objectives:

This Gateway Goal is aligned with the NYISO strategic objective to be the Leader in Reliable Service and Environmental Quality.

Responsibility:

The Operations Department is responsible for achieving this goal with substantial support from the Information Technology Group.

2. Market Gateway Goal – Successfully Post DAM Schedules/ Forward Contracts >= 99 % of the Time.

Definition:

The Market Gateway is a “go/no-go” goal, which emphasizes the importance of ensuring that the marketplace is operational. As a go/no-go goal, unless it is achieved, a bonus payment will not be earned under the Corporate Goals and Objectives Bonus Program – even if all of the other goals are achieved. The successful achievement of this goal is based upon the NYISO staff ensuring that the DAM is posted successfully.

The goal will be successfully achieved if no more than five times during the year the DAM schedules/ forward contracts are unable to be posted. Should there be an occasion where the DAM schedules/ forward contracts are not posted due to a Force Majeure or by uncontrollable actions of the marketplace, that instance will not be counted as one of the five allowed occurrences. As long as the posting occurs prior to the end of the day, it will considered to be successful.

Why this is a challenge:

A Gateway should send the proper signal to employees about mission critical activities. At the same time, because achieving the Gateway is a minimal threshold, there should be a very high likelihood of attainment (99+ %) with the appropriate level of commitment and support from staff.

How it is tracked:

The OASIS MIS web site displays the date and time of actual posting of each day’s DAM LBMP prices. The posting time will be used to assess achievement of this goal.

Comparison to 2002:

This Gateway Goal is identical to that used for 2002 and 2001 when it was first introduced.

Alternatives:

There was considerable discussion and debate about the definition of this goal both among the NYISO staff and at the BS&PS meetings. NYISO staff are concerned that there are many uncertainties regarding the performance of the SCUC with the anticipated changes in the coming year that may impact our ability to post prices on time. This situation is further complicated by the fixed period of time from the market closing at 5:00 AM until the 11:00 AM posting time.

Alignment with strategic objectives:

This Gateway Goal is aligned with the NYISO strategic objective to be the Competitive Market Champion.

Responsibility:

The Market Operations Department is responsible for achieving this goal with substantial support from the Information Technology Group.

3. Prepare Accurate Day-ahead, Non-weather-adjusted Load Forecasts

Recommendation:

Proposed 2003 Load Forecasting Goal

1) NYCA Peak Forecast

Threshold	2.20
Target	2.00
Superior	1.80

2) Days with 5% or greater absolute forecast error

Threshold	21
Target	17
Superior	15

The proposed goal consists of two equal parts. In the first, overall NYCA peak forecast accuracy is the focus. The target, 2.00%, is essentially what the NYCA peak forecast accuracy has been January, 2001 – July, 2002 (actually, 2.03%). Further reduction in this is problematical. Different versions of the Day-Ahead Forecast Model (DAFM) have an in-sample Mean Absolute Percentage Errors (MAPE) of about 1.5%, meaning that even within the database on which the a model is estimated, the unexplained variation is about 1.5% of the peak. That represents a rock-bottom level of forecast error that will be exceeded once the model moves out of its estimation database (i.e., is put into production). From this perspective, the superior level of 1.80% looks to be very aggressive.

The table below shows the monthly performance of this metric.

	NYCA Peak Forecast			
	2001		2002	
	Error	Weath Adj Error	Error	Weath Adj Error
Jan	1.19	1.61	1.79	2.08
Feb	1.15	1.57	2.44	2.40
Mar	1.39	0.98	1.50	1.46
Apr	2.83	2.62	2.56	1.87
May	2.45	1.96	2.13	1.84
Jun	3.44	1.74	2.31	1.51
Jul	2.42	3.02	2.84	2.07
Aug	2.66	2.34		
Sep	2.09	3.08		
Oct	1.25	1.35		
Nov	1.19	0.94		
Dec	1.03	0.90		
Year to Date	1.92	1.83	2.22	1.89

Overall Averages:

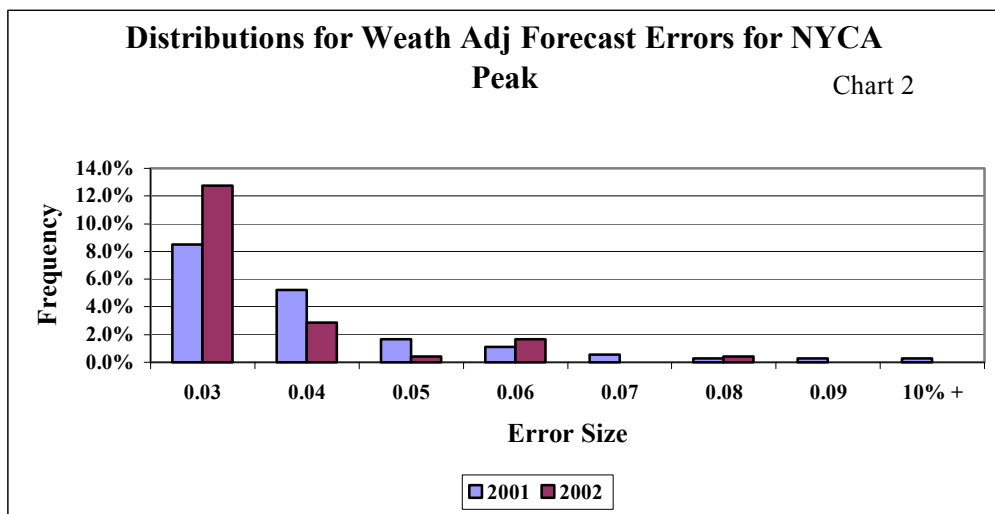
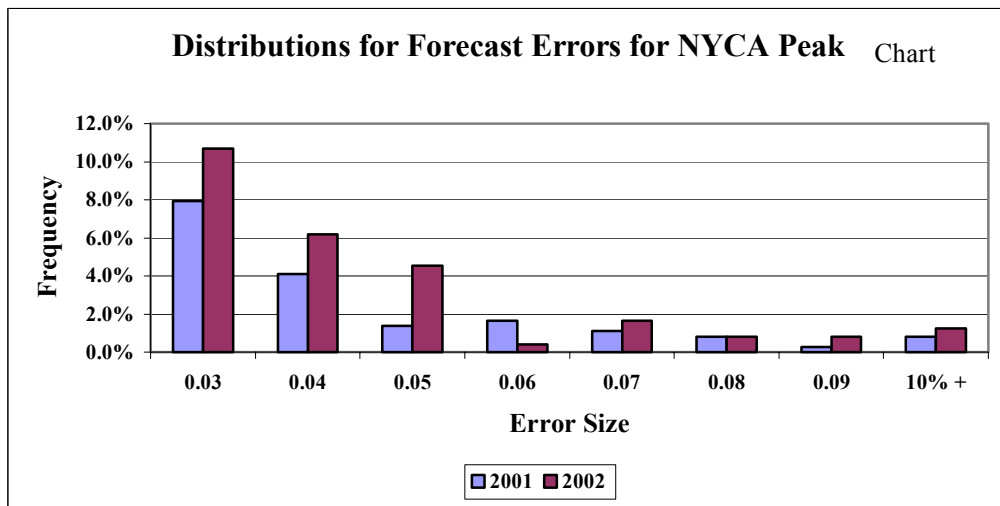
Error	2.03
Weath Adj	1.85

In-sample MAPE = 1.45%

It is not clear why, but 2001 appears to have been an unusually favorable year for forecast accuracy. Many of the monthly MAPEs are extremely low. January, February and December were all months that experienced no extreme winter weather. The performance levels set for forecast accuracy in 2002 are based on the 2001 experience, which at least partially explains why they have been so difficult to meet.

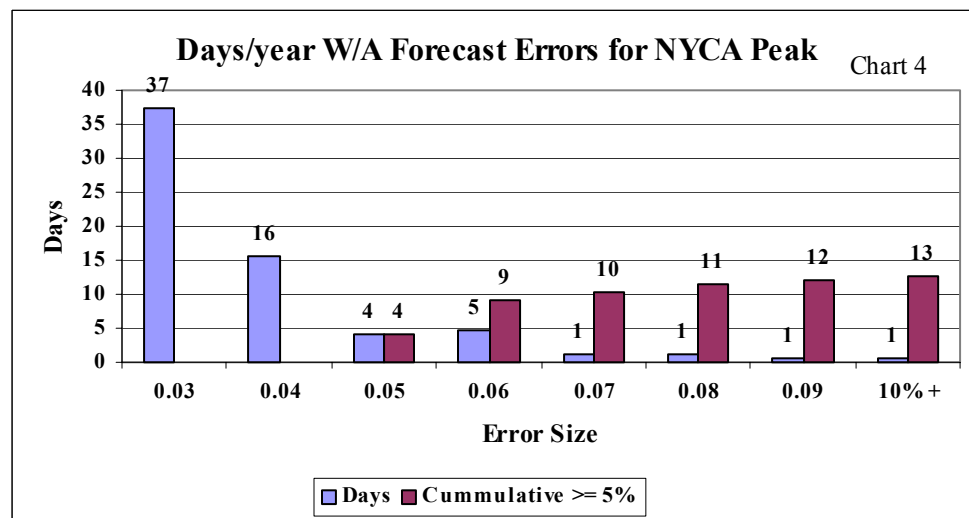
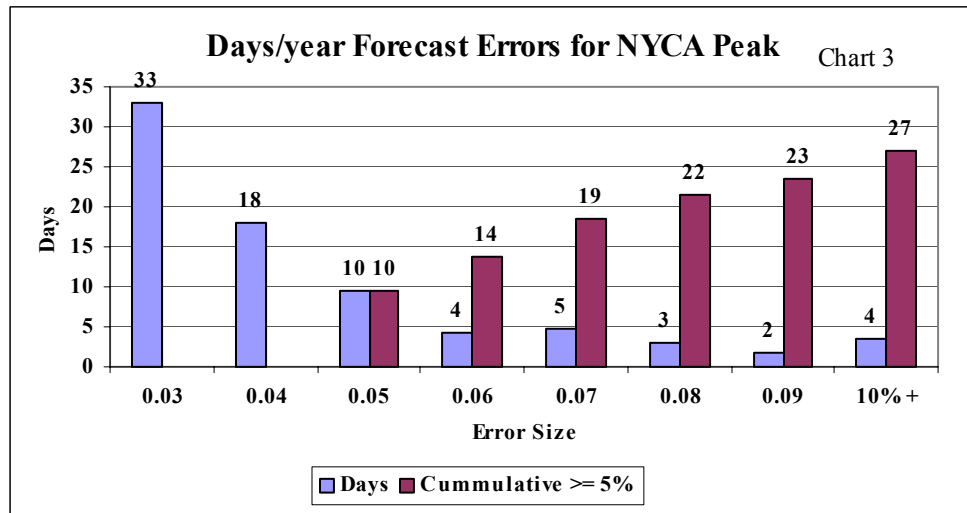
The proposed target of 2.00% forecast accuracy for the NYCA peak represents a 10% improvement over the experience of 2002 so far.

The second part of the proposed 2003 load forecasting goal addresses the most frequent concern of market participants and ISO operators regarding forecasts, large errors. The following charts show the distribution of daily NYCA peak forecast error for January, 2001 through August, 2003. Chart 1 shows total forecast error, Chart 2 weather adjusted error.



In both charts, the great majority of errors are small, less than 3%. Particularly in Chart 1, however, there is a significant frequency of large forecast errors and more so in 2002 than 2001. If we arbitrarily define 5% or greater errors to be large, we can see that there are a lot of days that fit into this category. If the errors on a significant number of these days can be reduced, the benefits to market participants and system reliability will be large.

Charts 3 and 4 translate the above information into what can be expected on a yearly basis.



Focusing on the non-weather adjusted errors in Chart 3, it shows that we can expect to see about 27 days per year where the forecast error is 5% or more. Four of these days will have 10%+ errors. On a weather-adjusted basis, the results are much better, as expected. Only 13 days have large errors, only one of which is 10%+.

The metric for the goal proposed to address this problem was developed as follows. The threshold performance level was set to reduce the number of days with large errors by 20%, the target represents a 1/3 reduction, and the threshold is a 40% reduction. In practice, a lot of progress can be made in reducing large forecast errors without it counting towards attaining

this goal. For example, some days that would have 9% errors could wind up having 6% errors, which is an improvement, but it does not reduce the number of days with large forecast errors (defined as 5% or more). Therefore, meeting the standards for this goal represents a real challenge.

Refocusing the load forecasting goal on NYCA peak accuracy will direct ISO resources to where they will be most profitably employed. Addressing large forecast errors offers the opportunity to ameliorate the cause of most complaints about inaccurate forecasts and presents the best opportunity to save market participants real money.

Why this is a challenge:

The 2002 load forecast accuracy goal (incentive goal #3) measures the average of the Mean Absolute Percentage Errors (MAPE) of four zones, or superzones, in the New York market: West (zones A – E), East (zones F – I), J, and K. Everyday, the MAPE for each of these zones is calculated. The four MAPEs are added and divided by four to determine the average MAPE for that day. At the end of the year, the daily average MAPE will be accumulated and divided by 365 to find the annual average MAPE. This will be the metric for determining performance on incentive goal #3. An average annual MAPE of 2.8% is required for the threshold, 2.5% for the target, and 2.3% will be considered superior.

Through July, the MAPE stood at 3.28%. Reaching anything other than the threshold is practically impossible. Even that will require August – December accuracy of 2.18%, accuracy that has not been met in any month of 2002.

Throughout 2002, ISO staff has implemented a number of model improvements that have improved forecast results, but the results have not been sufficient to drive the actual MAPE to within sight of the incentive goal levels. Additional, more radical modeling changes are possible, but the price might be poorer accuracy in forecasting the NYCA peak itself. To see why this is so, a brief description of the day-ahead forecast model (DAFM) is required.

The DAFM produces a forecast of the NYCA peak load and loads for every other hour of the day. It also produces forecasts of the same concepts for each of the 11 NYCA zones. The NYCA forecast is produced independently of the 11 zonal forecasts (which are produced independently of each other, although a common set of weather variables, etc. is employed). The independent zonal forecasts are reconciled to the NYCA forecast by ratioing them up or down so that their total equals the NYCA forecast in each hour of the projected day. Therefore, in the final forecast, the sum of the load in each zone will equal the NYCA load for every hour of the day.

The most likely place to look for improvements in zonal forecast accuracy is to model each zone independently and then form the NYCA forecast by adding up the 11 zonal forecasts. This would eliminate the independent NYCA forecast and the step of reconciling the sum of the independent zonal forecasts to it. Doing this would allow enhancements in the zonal forecasting models to flow directly to the zonal forecasts, rather than being constrained by an independent NYCA forecast.

There are two serious problems with this approach, however. First, the load at the NYCA level contains less measurement error than the loads for the individual zones. The new approach would put more weight on the poorer data and less on the better data than the current approach does. Second, there is no guarantee that when the independent zonal loads are added up that the resulting NYCA load will result in an accurate forecast. In fact, it is almost certain that it will be a poorer forecast of the NYCA peak (and all NYCA hourly loads) than that presently produced by the independent NYCA models. So, gains in zonal forecast accuracy will come at the expense of NYCA forecast accuracy.

Is this trade-off desirable? Based on the expressed concerns of market participants, the answer is no. Every complaint about forecast accuracy has been about the NYCA peak. Not one has been about the forecasted load for a zone. Internally, Market Operations has expressed its consternation when the actual NYCA load comes in significantly above the NYCA forecast, but never when zonal forecasts are performing poorly.

To conclude, the focus on zonal forecast accuracy and the likely steps necessary to improve it may lead to an outcome that sacrifices a result that is actually more important to market participants and to system reliability.

It is for these reasons that the alternative forecast accuracy goal is being proposed.

Alternatives:

The chief alternative was to continue with the 2002 load forecast accuracy goal as it existed. That measures the average of the Mean Absolute Percentage Errors (MAPE) of four zones, or superzones, in the New York market: West (zones A – E), East (zones F – I), J, and K.

Alignment with strategic objectives:

This incentive goal is aligned with the NYISO strategic objective to be the Competitive Market Champion.

Responsibility:

The Analysis and Planning Dept's Load Forecasting Unit is responsible for performing the load forecast calculations, obtaining weather service data, and for maintaining the monitoring records.

4. Comply with NERC Standards CPS-1 and CPS-2

Definition:

Control Performance Standards (CPS) are criteria defined by NERC to monitor and compare power system operation across North America. The two CPS parameters are derived from the theory that system reliability is impacted by the effectiveness of frequency control. CPS-1 measures the Area Control Error (ACE) impact on frequency over a 12-month horizon, while CPS-2 measures the magnitude of short-term ACE values. The NERC compliance threshold for CPS-1 is 100% (typical values range from 140-180 %) and for CPS-2 is 90 % (with a maximum of 100%).

The NYISO proposed goals are as follows:

	<u>Threshold</u>	<u>Target</u>	<u>Superior</u>
a) CPS-1 \geq 100%	12 of 12	12 of 12	12 of 12
b) CPS-2 \geq 90 %	10 of 12	11 of 12	12 of 12

(number of months achieved)

Why this is a challenge:

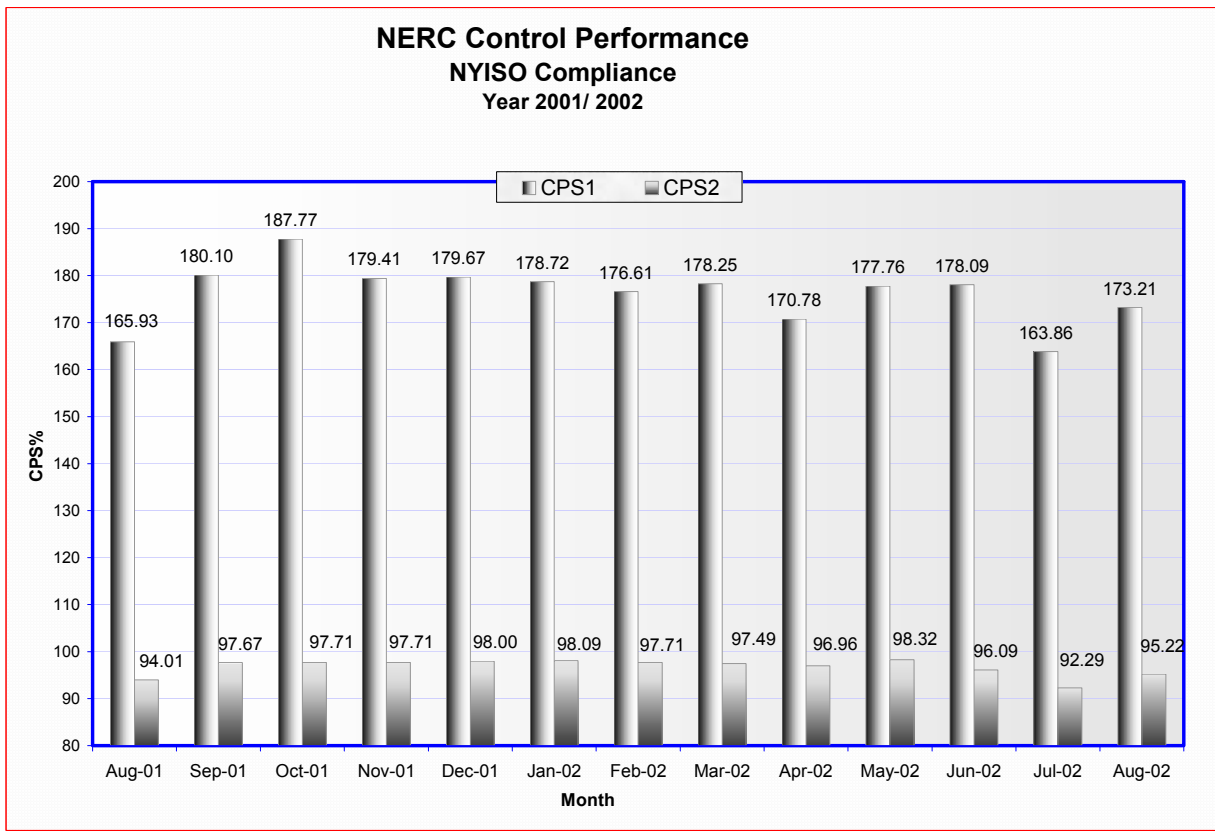
CPS-1 and CPS-2 values are not monitored in real-time as they are normally calculated on the following day. The CPS values are a function of the Area Control Error (ACE) that is influenced by generators not following their base point signals and by deviations in schedules with adjacent control areas. System Operators do not have direct control over the generating units or the control areas with which we schedule transactions, however they do act to avoid or resolve high ACE values thereby helping to maintain acceptable CPS values. A further complication results from changes that have been recently implemented, such as the elimination of accumulating base points and uninstructed over-generation, which may affect the CPS quantities in ways that cannot be fully anticipated.

How it is tracked:

The data required to calculate CPS-1 and CPS-2 are collected continuously, and a daily summary is issued the following day. Compliance with the two standards is determined on a monthly basis.

Comparison to 2002:

Below is a graph that shows CPS-1 and CPS-2 performance over the past twelve months.



Alternatives:

There are no known studies substantiating that a savings would result from restricting control to a narrower band, although it is likely that there are regulation costs associated with achieving higher percentages. Also, the dispatchers are not able to observe CPS-2 performance in real time since the index is not calculated until the following day.

The reserve sharing agreement that was reached with ISO-NE will allow NYISO to reduce the in-state reserve requirement and may at times have a negative impact on CPS-2. As a result, some of the envisioned cost savings that the BS&PS was hoping to achieve may be accomplished through the new reserve sharing practices. The NYISO does have the option of not using reserve sharing if it causes a perceived impact on reliability and/or CPS-2.

The NYISO has an existing defined task to study the value of reliability within the planned Center for Market Excellence (CME) initiative. To address the issue raised by the BS&PS regarding CPS-2, this scope of this task will be expanded to specifically include research that attempts to quantify the economics of lower values of CPS-2 compliance.

Alignment with strategic objectives:

This incentive goal is aligned with the NYISO strategic objective to be the Leader in Reliable Service and Environmental Quality.

Responsibility:

The Operations Department is responsible for monitoring and achieving this goal with substantial support from the Information Technology Group.

5. Timely Posting of DAM Schedules/Forward Contracts

Definition:

This goal was created to complement the Market Gateway goal and provides an incentive to achieve the 11 AM posting time for the Day-ahead Market a high percentage of the time. The NYISO proposed goal is as follows:

	<u>Threshold</u>	<u>Target</u>	<u>Superior</u>
Achieve DAM posting by 11 AM this percentage of days in the year	> 91 %	> 94 %	> 99 %

Why this is a challenge:

This goal is a challenge due to the increased computational complexity and the finite period of time that is available to accomplish the Security-Constrained Unit Commitment (SCUC) process. This process requires the use of a complex software package, a number of manual actions, and at times, prompt decisions based on unusual circumstances that may be encountered. There are many uncertainties that could impact the SCUC process as a result of future changes being planned for the day-ahead market, for example, virtual transactions, and fixed-block transactions. These changes, even when thoroughly tested before implementation, may have unanticipated consequences that impact timely posting of the SCUC results. The situation is further complicated by the fixed period of time from the market closing at 5:00 AM until the required 11:00 AM posting time. The collective amount of contingency time in this period continues to shrink as the process becomes more complex.

How it is tracked:

Performance toward this goal will be determined based upon the DAM LBMP posting time on the OASIS portion of the NYISO web site. If the posting time is later than 11:00 AM, by as little as one minute, it will be counted as one day missed for this goal.

Comparison to 2002:

Staff recommendation is that this goal remain the same as for 2002.

Alignment with strategic objectives:

This incentive goal is aligned with the NYISO strategic objective to be the Competitive Market Champion.

Responsibility:

Market Operations is responsible for achieving this goal with substantial support from the Information Technology Group.

6. Real-time Price Certainty and Accuracy

NYISO Recommendation:

There are two issues regarding prices in the real-time market: 1) the number of hours that are reserved for review (price uncertainty) and 2) the number of prices actually corrected after review (price accuracy). Market participants have cited both as important components of a competitive market. The NYISO proposes a continuation of the two-part goal adopted in 2002 to properly address each component. The hours reserved can be reduced by 10%, reflective of 2002 results but no change in the intervals corrected is recommended.

	<u>Threshold</u>	<u>Target</u>	<u>Superior</u>
a) Hours Reserved:	12 %	10 %	8 %
b) Intervals Corrected:	0.6 %	0.5 %	0.4 %

It should be noted that price reservations are tracked based on “hours” whereas the real-time market produces prices at approximately five-minute intervals. The reservation of a single price for any one of the intervals results in that entire hour being counted as reserved.

Corrections, on the other hand, are tracked based on the individual interval prices. During a calendar month the number of interval prices will typically exceed 14,000. Thus, a 1 % level of intervals corrected would mean 140 of the interval prices were corrected during the month.

Why this is a challenge:

While the number of price interval corrections has been reduced from nearly 7 % at the beginning of 2000 to an average of 0.37% in 2001, the current year to date average is 1.27%. Prior to June and July of 2002, the year to date average was 0.19%. The large number of corrections required in June and July reflect adjustments required to accommodate market changes and demonstrates how market changes can lead to a sharply higher rate of corrections during the implementation of new market features. It is anticipated that additional market changes will continue into 2003 putting pressure on price correction statistics. The NYISO recommends the current thresholds for price corrections be maintained in 2003 as a balance between providing an acceptable level of price accuracy and recognition of the impact of continued market innovation.

Price reservations have also been reduced from 10.8% in 2001 to the current year to date level of 10.77% . Reduction in the level of price reservations is somewhat limited in 2003 due to the continuous need to implement new market features. However, the thresholds for price reservations can be reduced by 50% to reflect the improvement made from 2000 to 2002..

Process for Reservations and Corrections:

Hours reserved and intervals corrected are determined by LECG, an outside consulting firm. In order to achieve the two-part goal, the NYISO Market Monitoring and Performance (MMP) unit will need to ensure the goals are conveyed to LECG and that their work is effectively managed. MMP will continue to work with LECG to develop more precise screens to reduce the need for reservations.

LECG reviews real-time prices on a continual basis seven days per week. The process involves scanning the prices with software algorithms as well as inspection by a qualified analyst. Hours are reserved when anomalies are identified through this initial screening. Price reservations are announced to Market Participants within 24 hours of the day's real-time price posting which completes shortly after midnight.

Reserved hours are then studied in a more detail primarily through a manual process. Corrections, if required, are announced to Market Participants within five calendar days of the reservation announcement. This five-day period evolved based on ECAs that were issued under the TEPs during NYISO's early days and was intended to allow sufficient time for weekends, holidays, and staffing requirements. Efforts are on-going to reduce the elapsed time till corrections are posted and the process is being reviewed..

How it is tracked:

LECG provides a daily e-mail report that includes the number of hours reserved. A separate e-mail report details the intervals corrected. The MMP data services section maintains an archive file with data from all the e-mail reports and it tracks both the hours reserved and intervals corrected. The monthly figures as well as the cumulative percentages are provided in the NYISO monthly reports.

2002 Price Corrections

	Monthly	YTD
	% Corrections	% Corrections
January	0.11%	0.11%
February	0.11%	0.11%
March	0.49%	0.24%
April	0.12%	0.21%
May	0.14%	0.19%
June	5.86%	1.10%
July	2.28%	1.27%

The thresholds for 2002 are given below.

	<u>Threshold</u>	<u>Target</u>	<u>Superior</u>
Intervals Corrected:	0.6%	0.5%	0.4%

Meeting the current thresholds will be a challenge in 2003 due to the anticipated changes in market features and the high probability of associated price corrections.

The number of intervals reserved, however, in spite of the dramatic rise in corrections is less impacted by the market improvements as shown below.

2002 Price Reservations

	Monthly	YTD
	% Reserved	% Reserved
January	7.26%	7.26%
February	4.91%	6.14%
March	10.22%	7.55%
April	10.00%	8.16%
May	8.74%	8.31%
June	15.42%	9.48%
July	18.28%	10.77%

The thresholds for 2002 are given below.

	<u>Threshold</u>	<u>Target</u>	<u>Superior</u>
Hours Reserved:	22%	20%	18%

The hours reserved can be reduced by 10% to reflect a continuation of improvement in this goal.

Alignment with strategic objectives:

This incentive goal is aligned with the NYISO strategic objective to be the Premiere Business Model.

Responsibility:

The Market Monitoring and Performance unit is responsible for tracking and reporting on this goal. LECG is responsible for the day-to-day execution of the price review process.

7. **Improve the Billing and True-up Process**

Definition: The billing goal to is divided into three equal parts. Parts A and B are tied to achievement of significant deliverables/milestones of two high priority projects and Part C is measuring the turn-around time of billing defects.

Goal	Threshold	Target	Superior
Improve the billing and true-up process:			
a) DSS Strategic Projects (Data Warehouse) – Availability of Billing Codes	90%	92%	95%
b) Project A583 Billing System Improvements Phase II – Web Based Reconciliation Subproject only	6/30/03	4/30/03	3/31/03
c) Turn-Around of Billing defects (business days)	60 days	55 days	45 days

How it is tracked: The Project Management department tracks all identified projects in VISTA, the NYISO Work Management System. The date of project completion or deployments will be based upon data captured in the individual project plans.

Alignment with strategic objectives:

This incentive goal is aligned with the NYISO strategic objective to be the Premiere Business Model.

Responsibility:

The Project management department is responsible for tracking and reporting on parts a and b of this goal. The Customer Settlements department is responsible for tracking and reporting part c.

8. Improve Customer Responsiveness with Timely Resolution of Customer Inquiries

Definition:

The NYISO proposes continuing the goal that tracks the timeliness of responses via a Customer e-mail response program. Each e-mail answer sent to a Customer will include a message asking if the response was provided in a timely manner. The Customer will be able to reply immediately to express an unsatisfactory turn-around time and to identify the time that would have been acceptable. For purposes of tracking this goal, receiving no response from a Customer will be counted as a “satisfied” result. The proposed incentive goal is as follows:

	<u>Threshold</u>	<u>Target</u>	<u>Superior</u>
Customer-identified responses that are timely	$\geq 90\%$	$\geq 95\%$	$\geq 99\%$

Why this is a challenge:

The NYISO operates some of the most complex electricity markets and one of the most congested transmission systems in the country. Many Customer inquiries require extensive review and evaluation of data and on-line systems to explain the mechanisms that affect markets and settlements.

For example, during the first nine months of 2001, almost 50 percent of the inquiries tracked were transaction scheduling or billing questions. The Security Constrained Unit Commitment and Billing and Accounting system experts, whose primary responsibilities are running these systems, are often the ones called upon to explain the systems’ operations in response to these types of Customer inquiries. The time-consuming investigations that are required to address these questions have to be prioritized with day-to-day responsibilities and other special projects.

Improving timeliness of responses to Customer inquiries requires a combination of internal process improvements for sharing information, continued improvements in the operation of our markets and transmission system, and further development of expertise across the organization.

How it is tracked:

Measurement of this goal will be done monthly and reported cumulatively for the year.

This goal will be measured on an exception basis, through the existing Customer Relations Issue Tracking and Resolution system. With every e-mail response sent to Customers, a reply button will allow Customers to indicate if they feel their response was not timely.

This goal will be conservatively calculated, because measurement will only include e-mail responses to Customers. Many inquiries are addressed immediately on the telephone by Customer Account Representatives.

Comparison to 2002:

The goal for 2002 is as follows:

<u>Threshold</u>	<u>Target</u>	<u>Superior</u>
80%	85%	95%

Alternatives:

The proposed method of measuring timeliness – asking the Market Participants if responses are timely – requires that judgment determination to be made by Market Participants.

Alignment with strategic objectives:

This incentive goal is aligned with the NYISO strategic objective to be the Best-in-Class Customer Service.

Responsibility:

The Customer Relations Department is primarily responsible for tracking and reporting on this goal. Support and commitment is required from the entire organization, however, to prepare the responses that are sent back to Customers.

9. Improve Customer Satisfaction with NYISO Services

Definition:

Customer satisfaction will be measured three times in 2003 to gauge Market Participants' overall view, via e-mail based surveys that will include all Customers. In 2000 and 2001 only one survey was conducted each year in the Fall. In 2002, two surveys will be conducted with only the Fall survey bearing on the incentive goal achievement. For 2003, the targeted levels of overall Customer satisfaction improvement will be as follows:

	<u>Threshold</u>	<u>Target</u>	<u>Superior</u>
Average Score Improvement	2%	4%	8%

This baseline figure for this goal will be determined based on the average score achieved in two benchmarking surveys conducted in the second half of 2002 based on broad customer satisfaction survey questions.

Why achieving a high Customer satisfaction level is a challenge:

NYISO Customers have divergent objectives for their participation in the markets and their interactions with the NYISO. On any given issue, the NYISO's responsibility to maintain the viable markets may very likely conflict with one or more of our Customers' objectives. Across multiple issues, the NYISO's independent intent and actions to establish a workable competitive marketplace for electricity is likely to dissatisfy many Customers who actively seek to achieve advantages in the marketplace.

Also, even with a level playing field, many contracts between parties in the marketplace result in financial winners and losers – especially when Locational Based Marginal Prices vary from average levels. Customers who are successful in the marketplace will tend to be satisfied, while those who are not successful will tend to be unsatisfied. Thus, Customer satisfaction levels will always be lower than in industries where Customers do not have opposing interests. In addition, dissatisfaction with determinations made by committees and general unease with frequent changes in the industry is often projected onto the NYISO.

How it is tracked:

All Market Participants would be sent an email with a link to a survey addressing customer satisfaction. The responses to these questions would be scored and used to measure NYISO customer satisfaction and which would be applied to our corporate goal.

1. The survey link would be e-mailed to approximately 4,000 MPs, twice this year for benchmarking and three times in 2003, asking them to participate in a very short survey.
2. We would tally the responses this year and develop the 2003 baseline against which improvement will be measured.

3. The first and second survey in 2003 would provide feedback as we progress through the year.
4. A weighted average of the three surveys will provide the measurement against the goal. The first survey will be weighted 20%, the second 30% and the third survey 50%.
5. The detailed Fall Customer Survey which has been the basis of previous years incentive goal would still be conducted to provide greater details on what needs improvement.

Comparison to 2002:

The first Customer survey conducted in 2000 resulted in an average satisfaction score of 2.82 on a scale of 1-5. The average score achieved on the 2001 survey completed in October 2001 was 3.29, which represented a 16.7 % improvement over the 2000 survey. The results of the 2002 survey achieved an average score of tbd which represents an improvement/decline to be determined. The individual category scores which were used to determine the average are shown below.

Category:	2000 score	2001 score	2002 Score
Training	2.91	3.38	
Customer Support	2.81	3.40	
Web Site	3.07	3.46	
Billing	2.27	2.80	
Tariffs	2.60	3.25	
Communications	3.26	3.45	
Average	2.82	3.29	
% Increase	---	16.7%	

Alignment with strategic objectives:

This incentive goal is aligned with the NYISO strategic objective to be the Best-in-Class Customer Service.

Responsibility:

The Market Services Group is responsible for achieving this goal with substantial support from the entire NYISO organization.

10. Improve Project Management Deliverables with On-time Completion of High Priority Projects

Definition:

The fundamental intent of this goal is to recognize the importance of the priority projects of the NYISO as also noted by the BS&PS. The Senior Management Steering Group (SMSG), comprised of the leaders of Market Services, Strategic Initiatives, Operations, Information Technology, Regulatory Affairs, Finance, Analysis & Planning and chaired by the Manager of Project Management, meet regularly to select projects that are meaningful to enhance the markets and/or NYISO operations.

At each meeting, the SMSG selects projects from the NYISO Projects Plan that have their detailed functional specifications completed (including the project's description, objectives, deliverable, and resource requirements), and that are scheduled to be completed by December 31, 2003. In addition, the SMSG will take into account the priority assigned by the Project Prioritization Team (PPT) on which Market Participants play a key role. Should a selected project no longer be of high priority to the Market or NYISO operations, the SMSG might remove that project from the list. The NYISO's CEO will review the selections for appropriateness.

Candidate projects will be selected from the NYIOS 2003 Projects Plan based on meeting these criteria: 1) the detailed functional requirements specifications (including the project's description, objectives, deliverables, and resource requirements) has been finalized and approved, and 2) completion or deliverables are scheduled to be completed by December 31, 2003.

The incentive goal will be comprised of two equally weighted parts. The first part is to achieve timely completion of an established percentage of a selected set of high priority projects. The second part will be to achieve selected milestones/deliverables of the SMD 2.0 Projects on schedule, the particular milestones/deliverables and schedule are still being developed as part of the project plan for SMD 2.0:

	<u>Threshold</u>	<u>Target</u>	<u>Superior</u>
Percentage of projects with successful on-time completion	80 %	85 %	95 %
SMD2. Project Deliverables			
a) Complete Factory Test	11/14/03	10/09/03	09/15/03
b) Start of Market Trials	12/31/03	11/25/03	11/01/03

Why this is a challenge:

Achievement of this goal is a challenge first and foremost because of the finite nature of NYISO resources available to accomplish projects and the nearly inexhaustible list of competing needs. This goal recognizes that dichotomy and seeks to reward performance that successfully and predictably applies finite resources to the satisfaction of high priority needs.

How it is tracked:

Progress on this goal will be tracked in accordance with project schedules developed by the respective Project Managers, approved by the Project Sponsor – in most cases a NYISO VP or Director, and maintained by the Project Management department. Based on the completion of activities and the achievement of milestones, Project Management will provide reports to the SMSG on the progress of the selected projects in accordance with the projects' schedules. The SMSG will be the arbiter to determine whether a project has achieved its stated objective in accordance with its planned schedule. The SMSG may authorize deviations from original deliverables and/or schedules based on overriding circumstances (regulatory, scope expansion, or priority redirection for example).

Comparison to 2002:

The 2002 incentive goal is similar to that proposed for 2003 with the addition of a specific portion of the goal devoted to the SMD 2.0 project and a weighting factor making this goal worth 20% of the total incentive payout.

Alternatives:

There were no other alternatives considered.

Alignment with strategic objectives:

This incentive goal is aligned with the NYISO strategic objective to be the Premiere Business Model.

Responsibility:

Responsibility for achieving this goal is spread across the entire NYISO as are all of the various projects that make up the NYISO Program Plan. Responsibility for monitoring the success of this goal rests with the Senior Management Steering Group.