

Budget, Standards and Performance Subcommittee 20 May 2002 Teleconference Meeting

Participants:

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Bill Killgoar - LIPA
Arlene Palmerino – Department of Public Service
Rick Mancini – NYSEG
Kevin Feeney – National Grid
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Meeting Objective: To develop draft performance standards for presentation at the MC meeting and the NYISO performance program team. BS&P would expect to receive feedback from MC and the NYISO team to develop final recommendations.

DISCUSSION ON BSP SUBCOMMITTEE RECOMMENDATIONS FOR NYISO 2003 CORPORATE INCENTIVE GOALS

The BS&P reviewed the existing 2002 goals and objectives and the background that went into the preparation of the 2002 goals. Next, BS&P developed recommendations on modifications and enhancements needed for the 2003 program. The committee discussed adding a new goal related to budget.

Gateway Goal #1 - Reliability Gateway

Concern: The current gateway places an artificial NERC reporting standard on the performance measurement of the NYISO. For instance a 250 MW bulk power system outage that lasts 14 days as a result of inappropriate actions by the NYISO would still allow them to meet the standard. Similarly an inappropriate 2000 MW bulk power system outage that lasted 14 minutes would meet standards.

Recommendation:

- Modify the threshold to remove reference to M/W and time limit.
- Replace with of “any size or duration exceeding 1 minute

Gateway Goal #2 - Market Gateway

Concern: This gateway and the DAM posting goal (#5 below) are too close to each other. We should combine the 11 am posting goal with the market threshold goal.

Recommendation:

- Tighten 99% standard for posting DAM prices to 100% of the time
- Postings should be timely compared to 11 am posting requirement. No more than 10 cumulative hours late over the year

Individual Goal #3 - Load Forecasting

Concerns: None

Recommendation:

- Keep goals as currently stated for 2002

Individual Goal #4 - Operating Standards

Concerns: Both CPS 1&2 are being achieved with a high degree of success. There is the possibility that these goals are no longer necessary. However, the introduction of SMD 2.0 may warrant retaining a CPS 1 & 2 goal. This goal might be expanded to address other operational concerns. For instance ISO-NE not only has a CPS 1 & 2 goal, but has a goal related to a Disturbance Control Standard. Also, in New York, reserve pick-ups are being used for regulation. This results in higher uplift and ancillary service charges and potentially reduces system reliability by making the unit more prone to failure when needed to compensate for real time loss of generation or transmission.

Recommendation:

- Retain CPS 1 & 2, but make standard 12 of 12 months for Threshold, Target and Superior
- Investigate applicability of a Disturbance Control Standard to New York
- Adopt a target for reducing the number of reserve pick-ups by a percentage (Amount to be recommended by NYISO staff)

Individual Goal #5 - DAM posting Goal

Concern: The 2002 goal of posting by 11 am has been rolled into Gateway Goal #2. If this is done, the 2002 version of this goal can be eliminated. However, a new DAM posting goal should be considered. The 6 hour time between market close and post has been a concern when addressing seams and other issues. PJM and ISO-NE both have shorter close-to-post times. It would be beneficial for market to have the flexibility to reduce the close to post time in the future.

Recommendation:

- The intent of the 2002 goal has been incorporated into recommended Gateway Goal #2
- Draft a goal that moves the current market close-to-post time of 6 hours to become consistent with that of neighboring control areas (4 hours). Tariff requirements would not be changed. However, the ISO would be encouraged to reduce the close to post time in practice by posting earlier

than 11 am. In future years, if this 4-hour goal is reached on a consistent basis, consideration might be given to changing the tariff.

- Intent is to provide flexibility to reduce seams issues

Individual Goal #6 - Certainty and Accuracy of Real-Time Pricing

Concern: It is unclear whether this goal is needed with SMD 2.0. With post-ante pricing, accuracy may not be an issue. Currently NYISO is doing very well in meeting the 2002 targets and should be challenged with a goal that reduces errors further.

Recommendation:

- Determine if this goal is even necessary with SMD 2.0
- Suggested a tightening of the standards of each of the levels if this goal is retained.

Individual Goal #7 - Billing

Concern: A new goal is needed to replace the goal adopted for 2002.

Recommendation:

- This new goal should be crafted to do the following
 - o Minimize the introduction of new errors as a result of billing system changes and SMD 2.0
 - o Once errors are identified on either existing or SMD related systems, correct errors with a specified time period (60 days)
 - o Provide all MPs with access to all of the information needed to check accuracy of their bills for all past and future bills. Future bills should have data available at the time that each initial bill, true-up bill and final bill is issued.

Individual Goal #8 - Timely Resolution of Customer Inquiries

Concern: Some questioned the need for this goal given the customer satisfaction survey. Others thought that the history of responses to customer questions deserved keeping this as a separate measurable goal in 2003. Concern was also expressed about the effectiveness of the current measurement system. The 2001 goal measured timeliness, but not the completeness of the response. The 2002 goal measures the timeliness and completeness of only the responses sent to stakeholders. A way to game the system would be to not send responses to difficult or late questions. The goal should be modified to measure both timeliness of all questions and the completeness of the responses sent.

Recommendation:

- Maintain as a separate goal
- Develop a new measurement criteria that combines the actual tracking of the response time and the satisfaction with the response time

Individual Goal #9 - Improve Customer Satisfaction measure by survey

Concern: Concern with the quality of the survey questions. On the other hand, it would be difficult to measure improvement against a benchmark if different questions are asked. One way to improve the quality of the survey would be to add new questions to the 2002 survey while retaining the old questions used in 2001. The old questions would be used to benchmark against the 2001 results. A subset of the 2002 survey questions would be used to establish the benchmark for 2003 survey target. As a separate issue, assuming the ISO score improves this year, goal should be based on a percentage improvement from the 2002 survey results.

Recommendation:

- Targets should be increased in a similar manner to the way targets were increased for 2002.
- The current survey needs improvement. The 2002 survey should improve the survey to allow benchmark migration over time.

Individual Goal #10 – Project Management Deliverables

Concerns: None

Recommendation:

- Keep goals as currently stated for 2002

New Individual Goal #11 - Budget

Concern: There should be a budget goal to provide the appropriate incentive for operating within budget constraints. This goal should also be crafted to minimize the year to year increases in budget or even to provide an incentive to decrease the budget year to year. Some expressed concern that the budget goal might discourage funding necessary to accomplish other goals in the performance program or might adversely affect the projects undertaken by the NYISO.

Recommendation:

- Develop a new goal aimed at the budget containing the following provisions:
 - o 2 year budget projection accuracy.
 - o Adherence to Budget with an incentive for not using contingency

OTHER POTENTIAL GOALS

In addition to new individual goal 11, the BS&P discussed other new goals for the program. The committee did not agree to include them at this time for the reasons discussed below. However they are retained as background material and for future reference.

Possible Goal # A - Uplift Reduction

Concern: Several members of the committee are concerned about the amount of uplift paid by market participants and thought that it would be good to have a goal based on controlling uplift. Others were concerned that NYISO staff will have little control over the amount of uplift since uplift is driven by fuel prices, bidding behavior, reliability rules, operating conditions and outages that are all beyond the control of the NYISO. Thus, it may be difficult to set a fair, measurable performance goal that would reward NYISO staff actions. Some BS&P members noted that many of the 2002 projects as well as proposed 2003 projects under goal #10 are directed toward reducing uplift. Furthermore the implementation of SMD 2.0 may also have the impact of reducing uplift.

Recommendation:

- Do not adopt a Uplift performance goal this year.

Possible Goal B - RTO/Organizational

Concern: As we move forward towards an RTO it may be appropriate to develop a goal aimed at getting to an RTO. Concern was expressed on whether the decision on forming an RTO was clear enough to set a performance goal that would reward creating a good RTO (not just any type of RTO). An RTO goal may be appropriate in the future when a new organizational structure is better defined.

Recommendation:

- Do not adopt a RTO performance goal this year.

INCENTIVE GOAL PROGRAM STRUCTURE

During the meeting BS&P reviewed the overall structure of the program. In general there was concurrence that the incentive program was well structured. The group supported the use of two threshold goals that must be met to receive any performance compensations. The group also supported the continued use of independent individual goals.

Concern: Upon reviewing the proposed set of individual goals, there was a feeling that some were more important than others. As a result, the BS&P recommended weighting between the individual goals according to importance.

Recommendation:

- Maintain two Threshold Goals
- Weight the remaining individual goals as follows;
 - Project Management Goal – 25%
 - Budget Goal – 15 %
 - Operational Standards – 5%
 - Certainty/Accuracy of Real Time Prices – 5%
 - 5 other goals – 10% each