

# 2014 Annual Incentive Goals

Budget & Priorities Working Group

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# Summary of Changes

- ◆ **Slide 10 – added details for RNA delivery**
- ◆ **Slide 13 – updated weight of Customer & Consumer Value Proposition Goals to be 60%**
- ◆ **Slide 13 – decreased Market Mitigation goal to 10%**
- ◆ **Slide 13 – Added Procurement Effectiveness goal (5%)**
- ◆ **Slide 13 – changed goal name to Key Market Initiatives and increased weight to 25%**
- ◆ **Slide 14 – tightened levels for threshold, target, and superior levels, adjusted weighting on goal**
- ◆ **Slide 15 – updated goals relative to Key Market Initiatives and adjusted weighting**
- ◆ **Slide 16 – Goal 8a, eliminated threshold level and increased target and superior levels**
- ◆ **Slide 16 – Goal 8b, tightened levels for threshold and target levels**
- ◆ **Slide 18 – Added Procurement Effectiveness goal**
- ◆ **Slide 19 - Removed Timeliness & Accuracy goals and replaced with Customer Satisfaction Index**
- ◆ **Slide 18 – updated weight of Market Participant Responsiveness to 40%**
- ◆ **Slide 19 – tightened levels for threshold, target, and superior levels**
- ◆ **Slide 20 – added details for new Customer Satisfaction Index goal**

# Gateway Goals

- ◆ **Gateway goals are built around NYISO's core business responsibilities of reliability, markets and planning and are divided into three sections accordingly.**
- ◆ **These have no potential to increase the incentive payout. They can only have negative impact if they are violated.**

# 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.*

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### **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*

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#### Consequences:

***Failure to achieve this goal will result in the annual incentive amount decreased 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.***

***Formal notification of noncompliance 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.***

***Below is a table that shows the penalties for each combination of NERC violation:***

Violation Risk Factor	Violation Severity Level			
	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 (con't)

- ◆ **Reliability Standards Violations**
  - *The NYISO will maintain compliance with NYSRC Rules*

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### **Consequences:**

*NYSRC Rule non-compliance will result in a 10% reduction to the corporate incentive payout (this metric is based on the NYSRC maintaining its current policies, should the RC change its policies, the NYISO reserves the option of changing this metric)*

# Market Gateway Goals

## **GOAL 3A & 3B**

### **◆ Functionality**

- *DAM Schedules are posted 100% of the time, and*
- *MIS Availability is greater than or equal to 99.75%*

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### **Consequences:**

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

# Market Gateway Goals

## GOAL 4A

### ◆ “No Mistakes”

- *The NYISO, through its actions, will not cause an error in settlement outcomes resulting in necessary adjustments (not to include normal billing true-up process), or a market problem with impact normally measured by change in bid production costs, or a bad debt loss due to a deviation from its tariff-based credit provisions, greater than \$1,000,000*

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### **Consequences:**

*Failure to achieve this goal will result in a 15% reduction in the corporate incentive payout per occurrence, up to a maximum of 45%.*



# Market Gateway Goals

## GOAL 4B

### ◆ “No Mistakes”

- *The NYISO will follow all notification requirements associated with a “Market Problem” pursuant to Sections 2.13 and 3.5.1 of the MST. It includes market design flaws, software implementation and modeling anomalies or errors, market data anomalies or errors, and economic inefficiencies that have a material effect on the NYISO administered markets or transmission service.*

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### **Consequences:**

*Failure to achieve this goal will result in a 10% reduction in the corporate incentive payout.*

# Planning Gateway Goals

## **GOAL 5A**

- ***The NYISO will deliver the Reliability Needs Assessment (RNA) to the Board of Directors by September 30, 2014.***

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### ***Consequences:***

***Failure to achieve this goal will result in a 5% reduction in the corporate incentive payout.***

# Planning Gateway Goals

## **GOAL 5B**

- ***The NYISO will post the Gold Book to stakeholders no later than April 30, 2014***

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### ***Consequences:***

***Failure to achieve this goal will result in a 5% reduction in the corporate incentive payout.***

# Individual Goals

- ◆ They are divided into two sections
  - *Customer and Consumer Value Proposition*
  - *Market Participant Responsiveness*
- ◆ **Typically**, these goals have the opportunity to achieve incentive payout at the threshold, target, or superior level **(or some subset of these levels)**

# Customer and Consumer Value Proposition

- ◆ **Represents 60% of total weight**
  - ***MMA Reference Level Scorecard –10%***
  - ***Key Market Initiatives – 25%***
  - ***Deployment and Quality Responsiveness – 20%***
  - ***Procurement Effectiveness – 5%***

# MMA Reference Level Scorecard

## Goal 6 (10%)

- ◆ **This goal measures the percentage of fully documented mitigation consultation requests that are resolved within the thresholds were adopted as part of the Market Mitigation and Analysis Task Force (MMATF).**
  - ***Threshold***
    - **100% of Full-Documented<sup>1</sup> Consultations Resolved within 50 Business Days;**  
**93% of Full-Documented<sup>1</sup> Consultations Resolved within 20 Business Days**
  - ***Target***
    - **100% of Full-Documented<sup>1</sup> Consultations Resolved within 50 Business Days;**  
**96% of Full-Documented<sup>1</sup> Consultations Resolved within 20 Business Days**
  - ***Superior***
    - **100% of Full-Documented<sup>1</sup> Consultations Resolved within 50 Business Days;**  
**98% of Full-Documented<sup>1</sup> Consultations Resolved within 20 Business Days**

<sup>1</sup>A fully-documented mitigation consultation is one in which the supplier has submitted a Consultation Request Form within the tariff-defined timeframe; and provided the MMA with sufficient data to support the claim. Examples of data required include, but are not limited to, fuel type or blend and fuel cost (with an accompanying actual invoice, if appropriate).

# Key Market Initiatives

## **Goal 7 (25%)**

- **Deploy Coordinated Transaction Scheduling (CTS) with PJM (10%)**
- **Deploy Ranger Optimization and Performance Enhancements (MIPS) (5%)**
- **Deploy Coordinated Transaction Scheduling (CTS) Phase 1 with NE (5%)**
- **Development complete of Joint Energy Scheduling System (“JESS” – the joint NY/NE component of CTS – NE) incorporating functionality necessary to receive, process and prepare for evaluation the economic offers for NYISO/ISONE interchange schedule determination (5%)**
- ◆ **Bonus Item (5%): Complete functional specifications for metering requirements for Demand Response – Real Time Energy Market**

# Deployment & Quality Responsiveness

## GOAL 8A & 8B

- ◆ **The NYISO will demonstrate fiscal and quality responsiveness by delivering on schedule and with a strong commitment to quality**
  - ***The NYISO will deliver market projects on schedule (10%)***
    - **Market projects identified in Business Plan will be delivered in 2014**
      - Target: 92%
      - Superior: 96%
  - ***Deployments will be of high quality (10%)***
    - **The deployment quality goal will measure all changes to applications and infrastructure deployed to production as part of Business Plan Priority Projects . Deployment quality will be measured by the number of defects/problems that result in consequences to include the violation of NYISO's tariffs and agreements, a market problem, a business unit hardship such as unplanned for manual processes, or unplanned outages.**
      - Threshold: 97%
      - Target: 98%
      - Superior: 99.5%

*Achievement of both pieces would be linked in a manner similar to the customer responsiveness goals such that if one of the two pieces are not achieved then the other would be reduced by one level of achievement*



# Deployment & Quality Responsiveness

## GOAL 8C

- ***Non-deployment related system changes that violate one of the quality measures will be measured as well***
  - **Each such quality measure violation (with a financial impact of more than \$10,000) will decrease the total goal payout by 1%, up to a maximum of 10%.**
  - **Should all non-project related system changes occur in 2014 with no negative quality impact, then total payout on this goal will be increased by 5 percentage points.**

# Procurement Effectiveness

## Goal 9 (5%)

- **This goal is targeted at measuring the savings recognized between the actual cost of a procurement of goods or services and the original budgeted amount, through the use of procurement best practices.**
  - *Budget overruns resulting from procurement decisions will be netted against savings*
  - *Underruns resulting from budget transfers or decisions not to undertake work that was previously budgeted would not be counted towards this goal.*
    - **Threshold – X% savings**
    - **Target – X% savings**
    - **Superior – X% savings**

# Market Participant Responsiveness

- ◆ **Represents 40% of total weight**
  - *Posting of Meeting Materials – 10%*
  - *Customer Satisfaction Index – 30%*

# Posting of Meeting Materials

## Goal 9 (10%)

- ◆ **Post all meeting materials in accordance with established deadlines.**

- *Threshold – 94%*
- *Target – 96%*
- *Superior – 98%*

# Customer Satisfaction Index

## Goal 10 (30%)

- ◆ **The Customer Satisfaction 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, twelve month rolling average index to assure transparency and inform our stakeholders.**
- ◆ **The results of this index for the year drive achievement of this goal as follows:**
  - ***Threshold – 80%***
  - ***Target – 82.5%***
  - ***Superior – 85%***

# Historical Payouts

	Plan Year	Plan Year	Plan Year	Plan Year	Plan Year	Plan Year	Plan Year
	2006	2007	2008	2009	2010	2011	2012
# EE's	385	407	429	439	455	502	496
Goal Achievement %	115%	118%	111%	140%	119%	98%	94.5%

# Next Steps

## Further develop draft goals and incorporate BPWG input as appropriate

- ~~*Presentation of draft goals to BPWG (Oct 4)*~~
- ~~*Stakeholder comment period (Oct 4 thru Oct 18)*~~
- *Present Draft goals to Board of Directors (Oct 14)*
- *Presentation of updated goals to BPWG (Oct 17)*
- *Stakeholder comment period (Oct 17 thru Nov 4)*
- *Obtain BOD Approval (Nov 18)*
- *Presentation of final approved goals to BPWG (Nov 22)*