

2007 Corporate Incentive Goals Proposal

BS&P
November 2006

Wayne Bailey

Reliability Gateway Goal

- ◆ Maintain service to NYCA load - No interruption of load because of improper implementation of NYISO operating procedures by the NYISO.
 - *>/= 300MW for >/= 15 minutes*
 - *No changes to Reliability Gateway from previous years.*
 - *Keeps critical focus on core reliability function*

Market Gateway Goal

- ◆ **Successfully post DAM schedules/forward contracts and maintain high level of MIS availability:** DAM schedules/forward contracts are posted $\geq 99.73\%$ (1 miss) of the time during 2007 and MIS availability $\geq 99.75\%$
 - *Gateway maintains focus on the conditions necessary for the functioning of the Day Ahead Market and adds a focus (MIS availability) on the functioning of the Real Time Market*

Excellence in Execution

| | Threshold | Target | Superior |
|--|-----------|--------|----------|
| The NYISO, through its actions, will not introduce an error into settlement outcomes resulting in necessary corrections greater than 0.1% of annual total market volume. Failure to achieve this expectation will result in a 15% reduction in NYISO wide incentive payout. | N/A | N/A | N/A |
| <ul style="list-style-type: none"> - Demonstrates commitment to Excellence in Execution program - Affirmatively responds to requests for a “no mistakes” goal - No positive payout associated with this goal, failure to achieve it can only detract from payout - Lean Six Sigma projects will support achievement of this goal | | | |

Planning

| | Threshold | Target | Superior |
|---|-----------|---------|-----------|
| a) Comprehensive Electric System Planning Goal-delivery to the BOD | September | August | July |
| b) 2007 RNA: delivery to ESPWG | November | October | September |
| <ul style="list-style-type: none"> - Continues to maintain emphasis on the critical planning process - Reinforces a key objective of the Strategic Plan | | | |

Market/Price Accuracy

| | Threshold | Target | Superior |
|---|-----------------|-----------------|-----------------|
| a) Hours without corrections >97% | 10 of 12 Months | 11 of 12 Months | 12 of 12 Months |
| b) Annual average time period for making price corrections (from reservations) will not exceed: | 2.5 days | 2.0 days | 1.5 days |
| <ul style="list-style-type: none"> - Designed to improve the quality of the price signals produced by the NYISO dispatch programs and used by MPs - Tightens performance standards for section b, which is being achieved this year | | | |

Shortened Billing Cycle Implementation Accuracy

| | Threshold | Target | Superior |
|--|-----------|--------|----------|
| Number of times we need to re-post an invoice for an additional 25 day or for 30 day final closeout settlement review | 3 | 2 | 0 |
| <ul style="list-style-type: none"> - This goal will measure the success of the NYISO in eliminating implementation errors introduced by the NYISO into the final bill close out process - Achievement will be measured against each final bill close out posted in 2007 - Lean Six Sigma projects will support achievement of this goal | | | |

Customer Focus Goal

| | Threshold | Target | Superior |
|--|-----------|--------|----------|
| Customer satisfaction as measured by annual survey | 70% | 75% | 80% |
| <ul style="list-style-type: none"> - Continues the survey methodology begun this year (2006) - Results for 2006 being received now - Satisfaction target levels remain aggressive | | | |

Operations

| | Threshold | Target | Superior |
|---|-----------------|-----------------|----------|
| PS2 >= 90 or full compliance with successor ERO balancing standard | 11 of 12 months | 12 of 12 months | - |
| - This goal provides incentive for reducing the costs of regulation to the Market Place | | | |

Deployment Quality

| | Threshold | Target | Superior |
|---|---|---|--|
| Error Free Implementation of major NYISO releases | No more than 3 total defects Over the 4-6 major releases | No more than 2 total defects Over the 4-6 major releases | No more than 1 total defect Over the 4-6 major releases |
| <ul style="list-style-type: none"> - Another supporting goal in Excellence in Execution initiative - Focuses on an area highly visible to Market Participants - Success will be measured by the number of defects that result in consequences that impact NYISO customers - Lean Six Sigma projects will support achievement of this goal | | | |

Customer Response

| | Threshold | Target | Superior |
|--|-----------------|-----------------|----------------|
| a) Tier 1 Performance: Clear 95% of Customer Inquiry | 3 business days | 2 business days | 1 business day |
| b) Tier 2 Performance: Respond to 90% of supported Final Bill Challenges within 20 business days | 20 days | 17 days | 15 days |
| <ul style="list-style-type: none"> - Responds to a significant issue raised by MPs as part of stakeholder process on shortening billing cycle - Measures the effectiveness of a significant reorganization of the customer response process - Lean Six Sigma projects will support achievement of this goal | | | |

Excellence in Execution - LSS

| | Threshold | Target | Superior |
|---|-----------|--------|----------|
| a) Number of employees successfully completing Lean Six Sigma training in 2007 | 60 | 70 | 90 |
| b) Number of Six Sigma green belt projects completed in 2007 that achieve targeted Sigma improvements | 30 | 40 | 50 |
| <ul style="list-style-type: none"> - This goal encourages the high level of management and staff support that will be required to pursue aggressive training levels and project completion - Achieving these levels of LSS training penetration and successful project outcomes will in turn support the achievement of other goals | | | |