



Budget, Standards and Performance Review Committee

Management Committee Report
April 14, 2002



Overview of Presentation

- Allocation of 2001 and 2002 excess funds
 - Straw poll for input into NYISO Board
- Future allocation of revenue shortfalls and surpluses
 - History
 - NYISO Staff proposal
 - Discussion of next steps
- Update on BS&P activities



Allocation of Excess Funds

Excess Funds and Shortfalls

■ 2001

- Budget surplus retained by board to cover potential revenue shortfalls = \$3.0 million

■ 2002

- Jan - May revenue shortfall = -\$3.2 million
- Jul – Dec revenue surplus = \$1.8 million
- Estimated budget surplus = \$2.8 million



Allocation of Excess Funds

BS&P Recommendation

- For each Market Participant, calculate allocation of each component separately and accumulate into a single refund

- 2001 Budget surplus retained by board to cover potential revenue shortfalls = \$3.0 million
 - Allocate to Load in proportion to 2001 schedule 1 charge payments



Allocation of Excess Funds

BS&P Recommendation 2002

- Jan - May revenue shortfall = -\$3.2 million
 - Allocate to Load in proportion of Jan-May Schedule 1 payments
- Jun – Dec revenue surplus = \$1.8 million
 - Allocate to Load and Supply in proportion to Jun-Dec Schedule 1 payments
- Estimated budget surplus = \$2.8 million
 - Allocate 5/12 to Load in proportion to Jan-May Schedule 1 payments
 - Allocate 7/12 to Load and Supply in proportion to Jun-Dec Schedule 1 payments



Allocation of Excess Funds

NYISO Board Input - Straw Poll

- As in previous years NYISO Board will be making final determination on surplus allocation
- MC straw poll will provide input into Board decision at either April or May meeting



Future Revenue Shortfall/Surplus Allocation

History

- Revenue shortfall problem identified in early 2002
- BS&P discussed several alternative methods of dealing with shortfalls in 2002
- MC suggested deferring action until the year progressed further
- In January, BS&P identified issue for resolution in 2003.
- ISO staff developed proposal for implementation as part of 85/15 software



Future Revenue Shortfall/Surplus Allocation

Current Status

- Detailed software specification has been developed by ISO staff
- Software implementation to begin around the beginning of May
- Concept presented in very general terms to BAWG
- BS&P received first briefing of proposal at its April 11 meeting



Future Revenue Shortfall/Surplus Allocation

Description of Process

Proposed Process

- Estimated rate set at beginning of the year
 - Rate is same for all rate periods
- Effective rate is set approximately 3 weeks before each rate period
- November and December rates adjusted in 4 month re-bill.

Six Rate Periods

- January – March
- April – June
- July – September
- October
- November
- December



Future Revenue Shortfall/Surplus Allocation

Other Software Features

- Software automatically does calculations
- Software can accept revised forecasts to provide input into future effective rates
- Software can accept a multiplier to adjust the automatic adjustment
- The six rate periods are fixed
- A rate cannot be directly input into the program
- Software can be applied to re-bills throughout the year
- Plan is to implemented effective with the June 2003 bill and June 2002 final bills

Future Revenue Shortfall/Surplus Allocation

Historical Example – Load

Historic Forecast Error				
Year 2002				
Load in Millions of MWH				
Month	Forecast Load	Actual Load	Monthly Difference	Cumulative Difference
January	14.4	13.1	-1.3	-1.3
February	13.0	11.8	-1.2	-2.5
March	13.7	12.5	-1.2	-3.7
April	12.2	12.0	-0.2	-3.9
May	13.0	12.2	-0.8	-4.7
June	14.3	13.7	-0.6	-5.3
July	14.6	16.1	1.5	-3.8
August	16.3	16.0	-0.3	-4.1
September	13.1	13.8	0.7	-3.4
October	12.7	13.0	0.3	-3.1
November	12.2	12.5	0.3	-2.8
December	12.9	13.6	0.7	-2.1
Total	162.4	160.3	-2.1	

Notes: Data source is January 2003 President's Report
December value adjusted from 14.1 to 13.6 to match end-of-year revenue surplus



Future Revenue Shortfall/Surplus Allocation

Historical Example - Proposal

Historical Example			
Based on 2002 History			
Rates in \$/MWH			
Rate Period	Estimated Rate	Effective Rate	Rebill Rate
January – March	\$0.680	\$0.680	\$0.680
April – June	\$0.680	\$0.694	\$0.694
July – September	\$0.680	\$0.715	\$0.715
October	\$0.680	\$0.710	\$0.710
November	\$0.680	\$0.687	\$0.658
December	\$0.680	\$0.649	\$0.620
Notes:	Example prepared by Jim Parmelee NYISO has not reviewed calculations Assumes rebill applied to November and December		



Future Revenue Shortfall/Surplus Allocation

Next Steps

- What input does MC want to provide to NYISO staff about proposal?
- If a working group is to be assigned follow-up tasks, which working group should it be assigned to?
- Are there any alternatives that should be considered?



BS&P Committee Activities

■ April 11 Meeting

- 2004 Employee Incentive Goals
 - Explored Customer Service goal alternatives
- Worked on defining projects budgeting and finance process

■ May 6 Meeting

- 2004 Employee Incentive Goals
 - Explore alternatives to Operating Standards goal
- Completion of projects budgeting and finance process proposal for May MC consideration
- Executive Compensation goals report