

# 2016 Draft Annual Incentive Goals

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# Summary of 2016 Changes

- ◆ **Goal 2a**
  - *Clarification that compliance includes planning and critical infrastructure protection standards*
- ◆ **Goal 5a**
  - *Updated to reflect RNA deliverable*
- ◆ **Goal 5b**
  - *Updated to reflect Gold Book deliverable*
- ◆ **Goal 6**
  - *Updated Key Project Initiatives for 2016; **added dependency between target and superior achievement;** weighting*
- ◆ **Goal 7**
  - *Added EMS/BMS Upgrade Project as separate initiative*
- ◆ **Goal 8**
  - *Added initiative for the Western NY Public Policy Transmission Need*
- ◆ **Goal 9a**
  - *Updated number of projects; target/superior criteria*
- ◆ **Goal 11**
  - *Updated weighting; threshold/superior criteria*

# Gateway Goals

- ◆ **Gateway goals**
  - *Built around NYISO's core business responsibilities*
    - Reliability
    - Markets
    - Planning
  - *Divided into three sections accordingly*
- ◆ **Have no potential to increase the incentive payout**
  - *Can only have a negative impact -- if they are not achieved*

# 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 including Planning and Critical Infrastructure Protection Standards.*

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### Consequences:

*Failure to achieve this goal will result in an annual incentive amount decrease 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 non-compliance 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.*

*(See table displaying 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 (cont.)

- ◆ **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 NYSRC 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 5% 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 November 30, 2016.**

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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, 2016.**

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## Consequences:

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

# Individual Goals

- ◆ **These are divided into two sections**
  - ***Customer and Consumer Value Proposition (80%)***
  - ***Market Participant Responsiveness (20%)***

# Customer & Consumer Value Proposition

Goal Description	Target Weight	Description
6. Key Project Initiatives	30%	Achieving this goal will result in the specified percentage (40-45% with <b>Additional Priority Initiatives for superior achievement</b> BOD Discretionary Items).
7. EMS/BMS	<del>10%</del> 15%	Achieving this goal will result in the specified percentage
8. Western NY Public Policy Transmission Need	<del>10%</del> 5%	Achieving these goals provides the opportunity to achieve payout at the threshold, target, or superior level (or some subset of these levels).
9a. Projects Delivered	15%	
9b. Deployment Defects	10%	
9c. Non-deployment Defects		Each quality violation decreases the goal payout by 1%, up to a maximum of 10%. If there are no 2016 negative quality impacts; total payout on this goal will increase by 5%.
10. Enterprise Cost Mgt	5%	Achieving this goal provides the opportunity to achieve payout at the threshold, target, or superior level.

# Key Project Initiatives

## GOAL 6 (30%)

### Target Initiatives

- ◆ Demand Curve Reset (10%)
- ◆ Behind-the-Meter Net Generation Implementation (5%)
- ◆ Scarcity Pricing Implementation (5%)
- ◆ Solar Forecasting Initiatives Development Complete (5%)
- ◆ Cyber Security: Identity & Access Management Phase V Implementation (5%)

### Additional Priority Initiatives ~~BOD Discretionary Items~~

- ◆ Sustaining Efforts: Broader Regional Markets (5%)
- ◆ Clean Power Plan (10%)
- ◆ ~~Renewables Exemption (5%)~~

# Key Project Initiatives

## GOAL 6

### Target Initiatives

#### ◆ Demand Curve Reset (10%)

- *The NYISO will work with the selected Demand Curve Reset (DCR) consultant to prepare, with stakeholder input a study that develops the parameters recommended for the NYISO's ICAP Demand Curves beginning with the Summer 2017 Capability Period.*
  - The effort shall extend beyond those for a “traditional” DCR, to include supporting development of market design proposals to evaluate extending the Demand Curve period, determining Demand Curve parameters, and a framework to consider projected energy and ancillary services revenues.
  - The NYISO will post Final Staff Recommendations by September 15, 2016 final report will be completed by August 31, 2016.

#### ◆ Behind-the-Meter Net Generation (5%)

- *This initiative continues the 2015 project to integrate loads with behind-the-meter generators that have excess generating capability into the NYISO's Energy and Capacity markets. This phase of the project will include the filing of tariff language, development of functional requirements and use cases for implementation of market rules.*
  - Deployment to production

# Key Project Initiatives

## GOAL 6

### Target Initiatives

#### ◆ Scarcity Pricing Implementation (5%)

- *This project continues the 2015 effort to move Scarcity Pricing into the real-time scheduling and pricing optimization engine. The objective is to better align scheduling decisions with pricing outcomes during reliability Demand Response calls.*
  - Deployment to production by June 30, 2016.

#### ◆ Solar Forecasting Initiatives (5%)

- *This project will allow the NYISO to create solar forecasts, for behind-the-meter and interconnected resources, for use in the energy market and real-time operations.*
  - Development complete

#### ◆ Cyber Security: Identity & Access Management Phase V (5%)

- *This initiative will automate provision of access within the enterprise directory services environment.*
  - Implementation



# Key Project Initiatives

## GOAL 6

### ~~Board Discretionary Items~~ **Additional Priority Initiatives**

*Note: Achievement of these goals will count toward superior achievement of the Key Project Initiatives goal and will be dependent on the successful completion of the Target Initiatives; absent a significant driver requiring reprioritization of Target Initiatives as approved by the Board.*

- ◆ **Sustaining Efforts: Broader Regional Markets (5%)**
  - *This initiative will focus on sustaining the efforts to improve regional coordination. Work will include: a detailed evaluation with stakeholders of opportunities to further improve NY/PJM Coordinated Transaction Scheduling and interface pricing alignment with power flows at external interfaces. Implementation, which may require multiple phases, will begin in 2016.*
    - Initial Implementation based on evaluations completed
- ◆ ~~**Renewables Exemption (5%)**~~
- ◆ **Clean Power Plan (10%)**
  - *This initiative will focus on the assessment of the potential reliability and market impacts within NY of compliance with the Clean Power Plan.*
    - NYISO to complete evaluation and review with stakeholders

# EMS/BMS System Upgrade

## GOAL 7 ~~(15%)~~ (10%)

- ◆ This is a multi-year project to upgrade both the Energy Management System (EMS) and the Business Management System (BMS). The EMS encompasses the core reliability functions used by the system operators such as load flow and contingency analysis. The BMS encompasses the day ahead and real time energy market functionality.
  - ◆ *In this phase, the NYISO will be identifying the must have requirements for Operations/Reliability and Markets. In addition, development of contracts and a Statement of Work with the selected vendor will be completed. Initial project implementation plans, initial development and hardware requirements will also take place during 2016.*

# Western NY Public Policy Transmission Need

## Goal 8 ~~(5%)~~ (10%)

- **As part of this effort, the NYISO will perform critical steps as defined by Order 1000 to support the Western New York Public Policy Need process including: 1) NYISO to deliver the Viability & Sufficiency Assessment for all proposed solutions and 2) NYISO to deliver the evaluation report of the efficiency and cost effectiveness of transmission solutions to the BOD, contingent upon the PSC's timely issuance of an order.**
  - ***Threshold (5%): Complete #1 by the end of August, 2016***
  - ***Target (10%): Complete #1 by the end of April, 2016***
  - ***Superior (15%): Complete #2 by the end of 2016***

# Deployment & Quality Responsiveness

## GOAL 9a & 9b

- ◆ **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 (15%)***
    - **41 market projects identified in Business Plan will be completed during 2016**
      - Target (15%): no more than 4 missed projects
      - Superior (22.5%): no more than 2 missed project
  - ***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 (5%): 99%
      - Target (10%): 99.5%
      - Superior (15%): 99.9%

# Deployment & Quality Responsiveness

## GOAL 9c

- ◆ **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 2016 with no negative quality impact, then total payout on this goal will be increased by 5 percentage points.*

# Enterprise Cost Management

## GOAL 10 (5%)

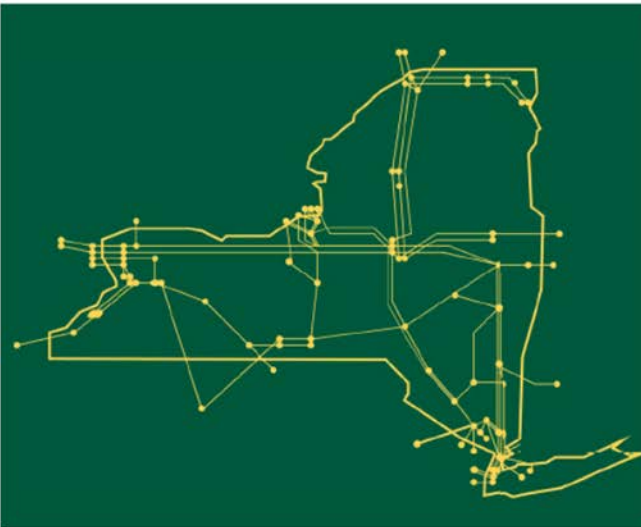
- This goal is targeted at measuring the savings recognized between the actual cost of a procurement of goods or services and the original budgeted amount, through the use of procurement best practices.
  - *Budget overruns resulting from procurement decisions will be netted against savings.*
  - *Underruns resulting from budget transfers or decisions not to undertake work that was previously budgeted would not be counted towards this goal.*
    - Threshold **(2.5%)** – 2% savings
    - Target **(5%)** – 3% savings
    - Superior **(7.5%)** – 5% savings

# Customer Satisfaction Index

## GOAL 11 (20%)

- ♦ **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, 12-month rolling average index to assure transparency and inform our stakeholders.**
  - ***The CSI results for the year drive achievement of this goal as follows:***
    - **Threshold (10%) – 82%**
    - **Target (20%) – 84%**
    - **Superior (30%) – 87%**

The New York Independent System Operator (NYISO) is a not-for-profit corporation responsible for operating the state's bulk electricity grid, administering New York's competitive wholesale electricity markets, conducting comprehensive long-term planning for the state's electric power system, and advancing the technological infrastructure of the electric system serving the Empire State.



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