



2004 Budget vs. Actual by Project Variance Explanations

SMD 2.0:

The \$2.1M overrun on this project consists of a \$3.5M overrun on labor offset by a \$1.4M underrun on non-labor for 2004. The labor overrun occurred as the implementation date for SMD 2.0 was delayed to February 2005 from the 2004 budgetary date of April 2004. The non-labor underrun resulted as certain budgeted hardware costs were accelerated into 2003, and therefore, not required during 2004. These available 2004 budget funds were used to extend ABB and other SMD consultants from the original April 2004 deployment date.

Automation of TCC & UCAP auctions:

The combined overrun on these two projects was \$0.3M for 2004, which was comprised of approximately 50% labor and 50% non-labor. However, the UCAP automation project was approximately \$1.0M over budget, offset by a \$0.7M underrun on the TCC automation project. NYISO expanded the scope/spending on the UCAP project because some of the functionality resulting from the UCAP automation project was expected to be utilized on the TCC automation project (with the future savings on the TCC project funding the upfront investment on the UCAP project). However, the manual error issue noted on TCC auction results during the summer of 2004 forced a delay in the TCC automation project as well as the UCAP project. Subsequent to the discovery of this manual TCC auction error, several resources needed for these automation projects were consumed with the TCC settlement activities and the scope of both projects was re-evaluated, causing significant delays.

Facilitated Checkout:

This project experienced an overrun of \$0.1M or 4%, which was comprised of a \$0.4M underrun on labor offset by a \$0.5M overrun on non-labor. Resource constraints with other projects required outsourcing of this project to consultants in order to achieve progress during 2004.

DSS:

The DSS project was \$0.3M over budget, virtually entirely due to non-labor costs. This occurred as additional billing codes were added to the DSS project, in accordance with requests made by both market participants and various NYISO departments.

Controllable Tie Lines Scheduling & Pricing:

This project was under budget by \$0.2M. The primary reason for this underrun was because the start of this project was delayed while NYISO coordinated matters on the Cross Sound Cable project. By summer, focus shifted from the Cross Sound Cable effort to the Controllable Ties Lines project.



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Billing Simulator:

This project was \$0.8M over budget, primarily due to non-labor, as NYISO invested more funds in this initiative during 2004 than originally intended. As reported early in 2004 to PPT and BSP, certain consulting costs expected to be incurred during 2003 actually did not occur until 2004 as the process to define user requirements took longer than expected. Once user requirements were defined, some additional functionality was added beyond the original design to allow the billing simulator to be used in the continuation of final-bill closeouts and as the foundation for potential replacement to the NYISO billing system.

MDEX Enhancements:

MDEX Enhancements were \$0.8M under budget for 2004, consisting of a \$0.5M underrun on labor and a \$0.3M underrun on non-labor. Resource constraints created by the delayed completion of SMD2 and the delayed start to Controllable Tie Lines caused this project (which was prioritized lower) to begin later than anticipated in 2004. Project activities to provide these enhancements began very late in 2004 and will continue in 2005.

Develop a Virtual Regional Dispatch:

This project was \$0.5M under budget, primarily as budgeted non-labor funds were not expended in 2004. The non-labor funds budgeted for this project were for the implementation of supporting systems following the success of a pilot in 2004. Progress towards a pilot was slowed due to the timing of higher priority projects in each of the neighboring control areas, and as such, a solution could not be implemented in 2004. Agreement was reached in late 2004 on the design of the pilot, with execution expected in early 2005.

Process to Enhance the Settlements Cycle:

This project experienced a \$0.5M underrun in 2004 as consultant budgetary funds were not utilized. This project did not progress as quickly as anticipated during 2004 since NYISO's BOD, market participants and staff were required to review various alternatives presented in an initial study by Rudden. Also, this project was delayed somewhat while the Chief Financial Officer position was open.

Consolidated NYISO Offices:

This project was \$0.2M over budget, primarily on non-labor costs related to several studies conducted as a part of NYISO's due diligence effort to recommend a new building location/consolidation. The results of these studies were presented to several market participant groups during 2004.