

# **NYISO 2011 BUDGET OVERVIEW**

*(dollars in millions, unless otherwise noted)*

Draft – For Discussion Only

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Management Committee

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# Schedule

- **September 3:** Distribution of 2011 Budget materials to Market Participants for review
- **September 8:** BPWG initial review of draft 2011 Budget (*additional details on 2011 Budget and proposed Projects are available under meeting materials for this meeting*)
- **September 24:** BPWG meeting to review 2012-2013 budget projections
- **September 29:** BPWG presentation of draft 2011 budget to Management Committee
- **October 8:** BPWG meeting
- **October 18:** BOD Commerce & Compensation Committee review of 2011 budget
- **October 20:** BPWG meeting
- **October 21:** Management Committee vote on 2011 budget for recommendation to BOD
- **November 16:** BOD approval of final 2011 budget

# Main Priorities for 2011

## **Market Evolution:**

- Continue phased implementation of Broader Regional Markets
- Continue progress on high priority market enhancement features, such as Enhanced Shortage Pricing, DVT, and Development of Criteria for New Capacity Zones
- Continue to expand the Demand Response program, including DSASP Aggregations, DSASP Direct Metering, and Demand Response in Real-Time Energy Market
- Continue developing the market design and software design for evolution of the TCC market

## **Broader Regional Planning:**

- Support and further develop the Eastern Interconnection Planning Collaborative
- Continue to support new initiatives in System Planning, including the NYS Energy Planning Board and the implementation of transmission upgrades and expansion solutions
- Implement the second phase of the Congestion Assessment and Resource Integration Study (CARIS) in accordance with Order 890 and the new Comprehensive System Planning Process (CSPP)
- Continue to support the interconnection of new facilities and related system upgrades through the Interconnection process

# Main Priorities for 2011 (*continued*)

## **Smart Grid:**

- Continue multi-year project implementation of Phasor Measurement Units and Capacitor Banks
- Support Smart Grid/Smart Metering solutions and develop technology assessment
- Support the evolution of Dynamic Pricing; identify potential technology solutions

## **Compliance:**

- Achieve/maintain compliance with FERC/NERC/ERO/CIP/CEII standards
- Develop and file implementation plan in response to the Long-Term Loop Flow Order

## **Infrastructure Improvements / Project Continuations:**

- Continuation of multi-year Infrastructure Master Plan (primarily Carman Road enhancements during 2011)
- Continue projects to reinforce cyber security protocols, and targeted automation of NERC security standards
- Continue technology infrastructure initiatives to optimize and consolidate computer platforms allowing reduction of required footprint and associated costs (Data Warehouse Platform Evolution and Web Posting Enhancements )
- Continue Credit Management System enhancements and improve invoicing systems
- Continue to realize improved performance from Lean Six Sigma and process/control enhancements

# Budget Highlights

## *In Summary:*

- NYISO's draft 2011 budget totals \$156.5M, allocated across a forecast of 167.7 million MWhs, for a Rate Schedule 1 charge/MWh of \$0.933. Comparatively, the 2010 budget was \$149.2M allocated across 167.3 million MWhs for a RS1 charge/MWh of \$0.892.

## *Primary Drivers:*

- The primary reason for an increase in RS1 from 2010 to 2011 is the inclusion of \$12.7M in Infrastructure Master Plan costs, primarily those associated with completing the facility maintenance upgrades at the PCC, in Rate Schedule 1 without the benefit of long-term financing to offset the short-term impact of these capital improvements.
- Additionally, the 2011 budgeted MWh volumes reflect only a 0.2% increase from the 2010 budget.
- In an effort to mitigate these rate impacts, and in recognition of NYISO's ongoing cost consciousness efforts, NYISO has reduced spending or held budgets flat in various 2011 budget categories.
- Net of the Infrastructure Master Plan, NYISO's 2011 budget reflects a \$5.4M or 4% reduction from the 2010 budget, indicative of NYISO's ongoing focus to reduce spending where possible.

## *Peer Comparison:*

- NYISO's amount of debt outstanding, and number of full-time equivalent employees, continue to be among the lowest of all ISOs/RTOs.

# Infrastructure Master Plan

## History:

- In 2008, Market Participants supported a 2009 budget that included \$25M to address facility deficiencies at Carman Road (data center, emergency generators, etc.). This plan did not address any enhancements to NYISO's primary or alternate control room operations.
- In 2009, NYISO revised the scope of the Carman Road facility project to address issues associated with primary and alternate control room operations (Infrastructure Master Plan). In October 2009, Market Participants approved proceeding with NYISO's Infrastructure Master Plan.
- In order to mitigate the short-term impact to customers, NYISO sought to finance the cost of the Infrastructure Master Plan over 20 years such that the initial two years would be interest-only, with 18 years of principal and interest repayment to match the project's long-term nature. Under NYISO's proposed financing plan, the 2011 Rate Schedule 1 impact of the Infrastructure Master Plan would have been \$1.6M or \$0.01/MWh.
- The NY Public Service Commission has not acted on NYISO's financing petition to support the Infrastructure Master Plan, and NYISO's financing commitment has subsequently expired.

# Infrastructure Master Plan

## 2011 Budget:

- NYISO's draft 2011 Budget includes prioritized enhancements within the Infrastructure Master Plan that are necessary for 2011 to address facility deficiencies that could impact reliability as well as planning activities to support future requirements.
- NYISO has included \$12.7M or \$0.076/MWh in the 2011 budget, as follows:
  - Carman Road Facility Improvements (\$10.9M in Capital costs and \$0.6M in insurance costs)
    - *Completion of site work, construction, interconnection, and commissioning of Carman Road emergency generators*
    - *Progress towards completion of site work, construction, interior infrastructure, and commissioning of Carman data center*
  - Krey Blvd. Facility Improvements (\$1.2M in Capital costs)
    - *Finalization of design and development of construction drawings for Krey Blvd. power control center expansion*
- The Carman Road enhancements included within the 2011 budget are consistent with the original intent / cost levels of the Infrastructure Master Plan.
- NYISO's draft 2011 budget has assumed no long-term financing would be approved by the NY Public Service Commission to support the Infrastructure Master Plan during 2011.

# Infrastructure Master Plan

## 2011 Budget:

- The 2011 NYISO budget does **NOT** include funds for certain improvements identified as part of the Infrastructure Master Plan (these costs are proposed to be incurred during 2012-2013):

### Carman Road Facility Improvements

- *Control room upgrades to provide improved visualization technology in support of enhanced situational awareness*
- *Control room space expansion to provide for new business requirements / functions*

### Krey Blvd. Facility Improvements

- *Space or technology upgrades for back-up control center functions*
- *Implementation of redundant commercial power source*



# Budget Highlights

## **Cost Consciousness:**

- NYISO continues to focus its spending on initiatives and investments that: improve overall operations and reliability (e.g. staff additions and facility improvements); are responsive to Market Participant feedback; represent prudent investments (e.g. Broader Regional Markets).
- NYISO recognizes that ongoing economic conditions are difficult for all Market Participants and has taken feasible steps to implement cost reductions in 2011.
- One significant example of NYISO's efforts to reduce costs relates to a change in business model from utilizing external consultants to relying upon internal NYISO employees. This shift has resulted in an increase to Salaries and Benefits, which is offset by a reduction in Professional Fees, for net annual savings of approximately \$2.4M.
- NYISO also reduced legal fees by \$1.1M from the 2010 budget by hiring additional staff to shift legal matters from outside counsel.
- NYISO reduced budgetary spending for Debt Service costs, Building Service costs, and ongoing Insurance renewals. NYISO also maintained spending on baseline Computer Service costs, BOD/Travel & Training costs, and ongoing Telecommunication costs.

# Historical Budget Comparisons

				<u>% Changes</u>	
<i>(in millions, excluding RS#1/MWH charges)</i>	<u>2009 Budget</u>	<u>2010 Budget</u>	<u>2011 Draft</u>	<u>2011 vs. 2010</u>	<u>2011 vs. 2009</u>
RS#1 Rev. Requirement – in \$\$	\$144.2	\$149.2	\$156.5	4.9%	8.5%
Budgeted MWH Hours	<u>177.3</u>	<u>167.3</u>	<u>167.7</u>	0.2%	(5.4%)
RS#1 Rev. Requirement - \$/MWH	\$0.813	\$0.892	\$0.933	4.6%	14.8%
<u>Supplemental Information – RS1 Charge/MWH by MP Type</u>					
Total RS#1 Rev. Requirement - \$/MWH	\$0.813	\$0.892	\$0.933	4.6%	14.8%
<i>RS#1 Charge/MWH: Purchasers @ 80%</i>	<i>\$0.650</i>	<i>\$0.669</i>	<i>\$0.703</i>	<i>5.1%</i>	<i>8.2%</i>
<i>RS#1 Charge/MWH: Sellers @ 20%</i>	<i>\$0.163</i>	<i>\$0.169</i>	<i>\$0.176</i>	<i>4.1%</i>	<i>7.9%</i>
<i>RS#1 Charge/MWH: Non-physical transactions</i>	-	\$0.054	\$0.054	-	n/a

# 2011 Budget Overview

[illegible]

# Summary of Significant Changes

2011 Rate Schedule 1 Revenue Requirement	\$156.5
2010 Rate Schedule 1 Revenue Requirement	<u>\$149.2</u>
Increase in Rate Schedule 1 Revenue Requirement	\$ 7.3

## ➤ Efficiencies and reductions

Reduction in Professional Fees	(\$5.8)
Increase in Misc. Revenue ( <i>SGIG &amp; EIPC grants</i> )	(5.2)
Reduction in Debt Service costs	(0.7)
Reduction in Building Services	(0.1)
Reduction in Insurance (baseline)	<u>(0.1)</u>
	(\$11.9)

## ➤ Budget increases

Increase in Infrastructure Master Plan	\$12.5
Increase in Sal. & Benefits ( <i>partially offset in Prof. Fees</i> )	5.2
Increase in FERC Fees ( <i>7% est. increase</i> )	0.8
Increase in Capital (non-IMP) ( <i>offset by SGIG Revenues</i> )	0.4
Increase in Computer Services ( <i>offset by SGIG Rev.</i> )	0.2
Increase in Telecommunications	<u>0.1</u>
	\$19.2

# Comparison with Other ISOs/RTOs

(\$ in millions)				
	<u>REVENUE REQUIREMENT</u>		<u>OTHER INFORMATION</u>	
ISO/RT0	2011 Revenue Requirement: in \$\$ (excludes FERC Fees)	2011 Revenue Requirement: in \$/MWh (excludes FERC Fees)	Debt Outstanding at 12/31/11	FTEs at 12/31/11
MISO	\$263.5M	\$0.387	\$264.1M	815
PJM	\$252.0M	\$0.307	\$100.0M	610-625
CAISO	\$195.1M	\$0.813	\$284.6M	601
NYISO	\$144.5M	\$0.862	\$67.4M	521
ISO-NE	\$137.5M	\$1.040	\$83.9M	521
ERCOT	TBD	TBD	\$225.0M	585
<i>These amounts are draft, and may be subject to change as each ISO/RT0 completes its 2011 approval process.</i>				
<i>NYISO Revenue Requirements are net of FERC Fees in order to compare with other ISO/RT0 budgets, which exclude FERC Fees.</i>				
<i>PJM's Revenue Requirements are inclusive of recovery for software, hardware, &amp; facilities costs of second data center and control center.</i>				

# 2011 Proposed Projects Budget Summary

	(\$ in millions)			
Product Area	NYISO Labor	Capital	Professional Fees	Total
Auxiliary Markets	\$1.0	\$0.0	\$0.3	\$1.3
Business Intelligence	1.1	0.4	0.2	1.7
Energy Markets	1.4	0.0	1.5	2.9
Enterprise Technology	0.9	4.3	0.4	5.6
Finance	1.5	0.0	0.7	2.2
NYISO Business	0.8	0.1	0.4	1.3
Operations and Reliability	1.5	0.1	1.8	3.4
Planning and TCC	<u>1.1</u>	<u>0.2</u>	<u>0.3</u>	<u>1.6</u>
2011 Total Cost	\$9.3	\$5.1	\$5.6	\$20.0
2010 Total Cost	Not separately budgeted during 2010	\$4.4	\$12.2	\$16.6

# Recap

- Market Participant questions on 2011 Budget?
- NYISO to develop draft 2012-2013 budget projections and discuss with Market Participants in the context of these items:
  - *Continuation of Infrastructure Master Plan,*
  - *Potential NYISO budget commitment,*
  - *Potential to reduce sole reliance on MWs for NYISO revenue without annual true-up feature,*
  - *Potential to remove FERC Fees from NYISO budgetary process to minimize cash flow/budgetary difficulties*