


Budget, Standards, & Performance Subcommittee Report



NYISO Management Committee
Meeting
May 10, 2001

Topics

- ☛ Credit Policy Update
- ☛ Review of 2000 Budget vs. Actual Results
- ☛ Review of 2001 Budget YTD and projected
- ☛ Recommendation for revised 2001 budget
- ☛ 2002 Goals and Objectives development
- ☛ 2002 Business Planning schedule

Credit Policy Update

- ☛ Credit policy Subcommittee continues to meet; progress positive but slow. Details not yet ripe for MC review.
- ☛ Since last MC meeting,
 - TO's plus NYPA & LIPA submitted a detailed proposal addressing specific credit limits for TOs, TO affiliates, and other LSE's with detailed supporting analysis on exposures.
 - NYISO has assigned two FTEs to credit management function
 - H&W drafting tariff language and policy documents.
 - A more rigorous analysis of expected and unexpected losses has been performed by PWC indicating overall less risk than assumed last February.

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2000 Budget vs. Actual

Budget under run*	\$3.2
Over-collection of RS#1	\$0.2
<u>Interest income</u>	<u>\$0.5</u>
Total Carryover	\$3.9

**Driven by IS projects either completed under budget in 2000 or deferred to 2001.*

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Revised 2001 Budget

☛ Original budget

- \$98.1 plus \$3.7 contingency = \$101.8

☛ Revised budget recommendation

- Apply \$3.7 contingency plus allocate \$1.9 of carryover funds to original budget
- New 2001 budget of \$101.8 plus \$1.9 = \$103.7
- Overall net increase of \$1.9

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2001 YTD Budget vs. Actual

☛ Overall projection on target with 2001 budget except for projected increase in IS project costs

☛ IS budget prepared in 2000 prior to arrival of VP-Information Services. Review of projects and needs for 2001 resulted in cancellation/deferral of certain projects and plans for new projects:

New IS Projects	\$11.6
Savings from cancelled/deferred IS projects, leasing benefits, etc.	(\$7.0)
Need to increase 2001 budget	\$4.6

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NYISO Staff/BS&P Consensus Recommendation to Fund Increase in 2001 Budget

Budget shortfall to complete IS projects	(\$4.6)
<u>Less revised projected variance in non-IS expenses</u>	<u>\$1.0</u>
Net budget shortfall	(\$3.6)
Apply 2001 contingency	\$3.7
Contingency remaining	\$0.1
<u>Apply a portion of 2000 carryover funds*</u>	<u>\$1.9</u>
Establish new contingency for remaining 2001	\$2.0
Refund balance of 2000 carryover via RS#1	\$2.0
(\$3.9-\$1.9 = \$2.0)	

** \$1.9 of the 2000 carryover funds is attributed to the net
increase in the IS budget*

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2002 Goals and Objectives Plan

- BS&P has prepared a draft proposal for 2002 goals issued to Market Participants for comment
- Comments due to Marty Amati (amatim@nimo.com) by May 15 to factor into NYISO Business Planning schedule

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2002 Business Planning Schedule

☛ May

- Finalize BS&P input to NYISO 2002 goals
- NYISO staff begins internal Business Planning process

☛ July

- BS&P to review 2nd quarter 2001 budget performance

☛ August

- NYISO initiates internal 2002 budget development
- BS&P provides comments on NYISO 2002 draft Business Plan
- NYISO Board review and comment on draft Business Plan

☛ September

- Presentation of draft 2002 Business Plan to Management Committee
- NYISO staff develops first draft of 2002 budget

☛ October

- BS&P review of 3rd quarter budget performance
- BS&P review and comment on draft NYISO 2002 budget
- Preliminary presentation of 2002 Budget to Management Committee

☛ November

- Presentation of final 2002 budget proposal to Management Committee
- Final approval of 2002 budget by NYISO Board