

Agenda #6

BS&P Project Budgeting/ Financing Process

Management Committee

July 24, 2003

Syracuse, New York



Action for Today

- Authorize use of BS&P Guidelines for NYISO Budget Preparation/Financing and for Project Monitoring
- Authorize BS&P to modify guidelines, requires BS&P to provide copies of modifications to MC, and requires MC approval of significant changes
- Adopt MC by-law changes to support process
- Recommend BIC and OC adopt by-law changes to support process




Overview of Guideline Objectives

- Improve ISO and market participants knowledge of the budget implications of actions prior to committing to the project.
- Define a MC role in approving those projects that have significant budget impacts.
- Monitor all projects and report when projects experience unexpected changes in cost, scope or schedule allowing the MC to take action when warranted.
- Use existing ISO processes to degree possible.
- While meeting the above objectives, retain the flexibility of Market Participants and NYISO staff to propose and implement new projects in a timely manner.



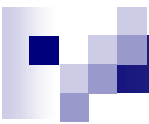
Overview of Guideline Four Step Process

- Budget Preparation
- Identification and Selection of Projects
- Project Monitoring
- Evaluation



Overview of Guideline Budget Preparation

- 5-Year Budget Target and detailed Annual Budget
 - Developed collaboratively with NYISO staff and Market Participants, recommended by MC and approved by NYISO Board.
 - Budget Target will include a projects budget target identifying the portions that are expected to be financed and expensed.
 - Annual Budget will be similar to current one-year budgets approved in past few years.
 - Budget target in out years will be flexible to accommodate new and changing missions



Overview of Guideline

Project Identification and Selection

- Projects costing \$500,000 or more require MC vote
 - Typically will go through OC or BIC before coming to MC
 - Cost estimates developed by NYISO staff prior to MC vote
 - After MC vote, PPT scheduling and prioritization
- Some projects will not require an MC vote
 - In-year projects developed by NYISO staff that can be accommodated in budget without adversely affecting other projects
 - Emergency projects to correct problems adversely affecting reliability or efficient functioning of existing market design



Overview of Guideline Project Monitoring

- All projects will be monitored by BS&P and PPT subcommittees.
- If project exceeds initial project budget by lesser of 50% or \$500,000, NYISO staff reports to BS&P at next meeting.
- If project originally thought to cost less than \$500,000 threshold, is projected to exceed threshold, NYISO staff reports to BS&P at next meeting.
- BS&P, its Chair or Vice-Chair, with 5-Business day notice, can automatically add a report and action item to MC agenda




Overview of Guideline Evaluation

- NYISO staff to prepare evaluation of Major Projects
 - Impact on Stakeholders
 - Ability to deliver performance measures
 - Ability to meet performance goals on cost, benefit and schedule



Transition

- Existing projects scheduled and prioritized by PPT and projects that have already received MC approval will not require an additional vote to proceed
- Document is desired end state
 - Different aspects will be implemented over a 12 to 18 month period
 - Staff will evaluate resources needed and advise of any concerns on implementation issues
 - Guideline will be revised as process is refined



Overview of By-Law Changes

■ Two Objectives

- Require MC approval of Major Projects
 - Modify Article 9 of MC By-laws
 - Recommend modification of Article 9 of OC and BIC by-laws
- Streamline reporting process of BS&P
 - Modify Article 5 of MC By-laws



The BS&P Motion

To create a better coordinated Budget Preparation and Monitoring Process, the Management Committee (MC) takes the following actions with regard to the materials presented at the July 24, 2003 Management Committee Meeting

- Authorizes the use of the “BS&P Guidelines for NYISO Budget Preparation/Financing and for Project Monitoring” dated July 14, 2003.
- Authorizes the BS&P Subcommittee to revise these Guidelines from time to time, as may be necessary, and directs the BS&P Subcommittee to provide copies of future revisions to the MC and return to the MC for new authorization only if significant changes to the Guidelines are proposed.
- Approves the addition of new sections 5.09 and 9.01.17 to the Management Committee By-Laws.
- Recommends that the Business Issues Committee approve the addition of a new section 9.03 to the Business Issues by-laws.
- Recommends that the Operating Committee approve the addition of a new section 9.03 to the Operating Committee by-laws.