

NYISO
Projects Budgeting
and
Financing Process

Purpose and Objective

Purpose of Today's Breifing:

- Review proposed modifications to the budgeting process that BS&P is proposing to make
- Receive MC input on proposal
- No action today.

Objective of Process:

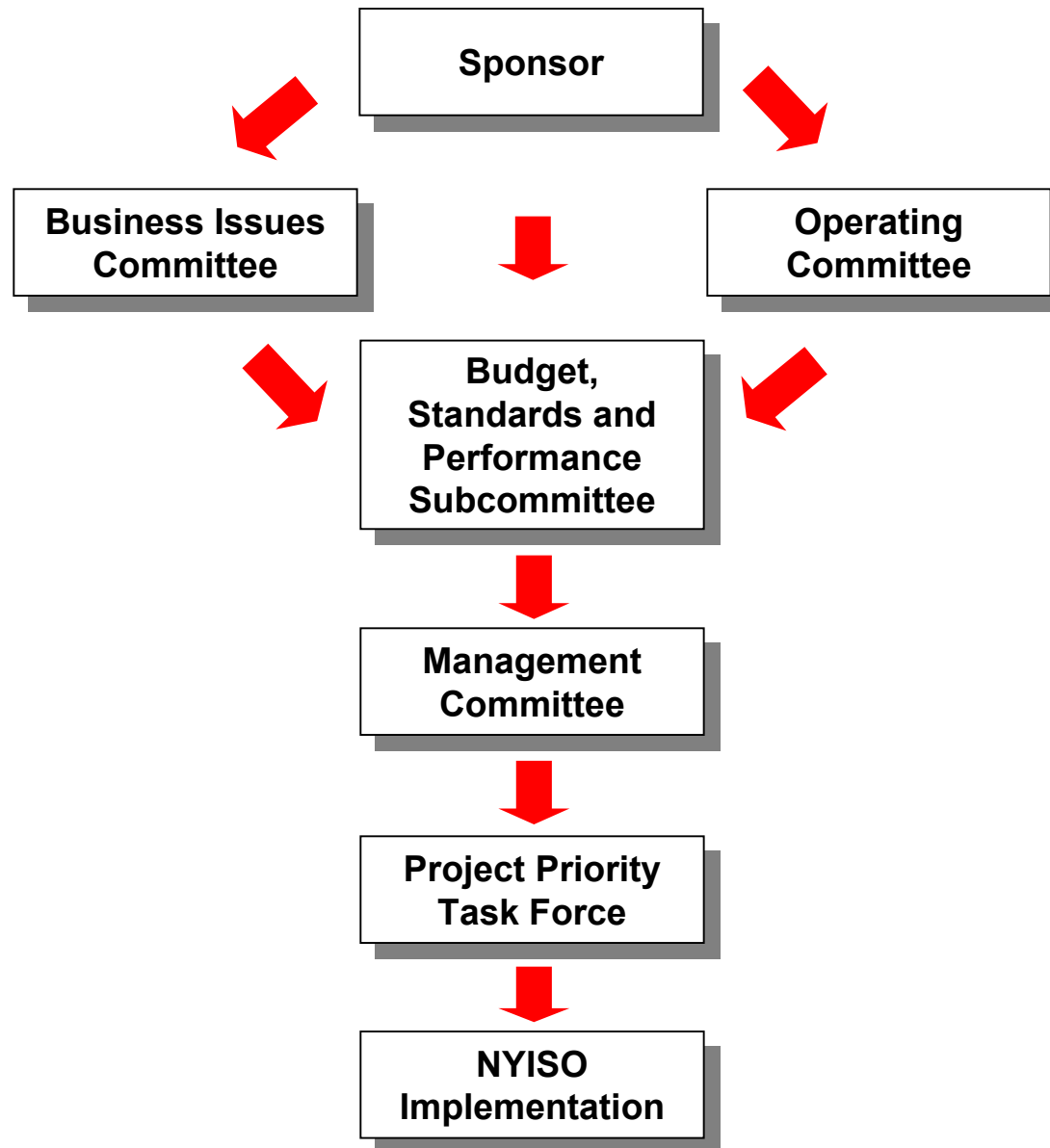
- To develop a NYISO Staff/Market Participant process that provides for long term cost control of the NYISO budget while providing the flexibility to respond to changing conditions and needs.

NYISO Projects Budgeting and Financing Process

Concerns:

- Projects presented to MC for approval with varying amounts of information and justification.
- Projects with major budgeting and financing implications can be approved by other Committees without MC action.
- Projects approved throughout the year and budget implications not known until the budget is presented in the October/November timeframe.

NYISO Projects Budgeting and Financing Process



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Process:

- BS&P, MC and NYISO Board adopt a Long term (5 year) Budget
- Project process applied to projects projected to have a cost of \$500,000 or more.
- Projects can be proposed by anyone; Market Participants, NYISO, Committee, Subcommittee or Working Group actions, Regulations, FERC orders, PSC actions, SEAMS Issues resolution.

NYISO Projects Budgeting and Financing Process

Process (continued):

- Projects presented to BIC or OC for approval. (If not a BIC or OC item, may be sent directly to BS&P)
- After BIC or OC approval, NYISO staff and project proponent will develop a cost/benefit analysis as well an evaluation of potential budget impacts.
- Proposal forwarded to BS&P for comment on completeness and potential budget implications.

NYISO Projects Budgeting and Financing Process

Process (continued):

- BS&P Role is limited to
 - Review for completeness
 - Assessment of budget implications
- BS&P Role does not include
 - Determination of project merits
 - Project priority and schedule
 - Prevention of proposal from going to MC
- Projects exempt in event of major emergency

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Process (continued):

- Project presented to MC for approval. BS&P report presented with proposal.
- Approved projects forwarded to PPT for prioritization.
- Projects forwarded to NYISO Staff for implementation.
- During implementation, MC will be notified by the NYISO Staff of any projects that are projected to exceed their initial cost estimate by the greater of 10% or \$500,000.

NYISO Projects Budgeting and Financing Process

Key Procedural Changes:

- Establishing a long term budget target
- Requires items with major budget impacts (even those otherwise not requiring MC action) to come before MC
- Requires NYISO staff to prepare and develop estimates of costs and benefits
- Requires BS&P to schedule its meetings to provide review process without significantly affecting flow of project proposals

NYISO Projects Budgeting and Financing Process

Benefits:

- Establishes a consistent budgeting process for presenting projects.
- Provides MC and NYISO Board with information relative to costs and benefits of proposed projects.
- Provides MC and NYISO Board with potential budgetary impacts of proposed projects.
- Allows MC and NYISO Board to better monitor and control budget process.

NYISO Projects Budgeting and Financing Process

Next Steps:

- Input from MC at this meeting
- Distribute presentation and draft NYISO Project Budgeting and Financing Process write-up to MC
- Written comments to MC by March 12
- Further BS&P development at March 14 meeting
- Tariff assessment by ISO
- MC Vote on proposal at March or April meeting