



2021 Approved Corporate Incentive Goals

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Background

- A portion of the NYISO's employee compensation is at-risk and determined by performance in achieving the Annual Incentive Plan
- Each year, annual goals are developed by NYISO management with input from the Board of Directors and from Market Participants
 - NYISO management reviews the proposed goals at the Budget & Priorities Working Group (BPWG) to allow for stakeholder discussion and input
- The Board of Directors is responsible for approving the goals identified in the Annual Incentive Plan

Draft Gateway Goals

Gateway Goals

■ Gateway goals

- Built around NYISO's core business responsibilities
 - Reliability
 - Markets
 - Planning

■ **Have no potential to increase the incentive payout**

- Can only have a negative impact -- if they are not achieved

Reliability Gateway Goals

GOAL 1

■ Maintain Load

- No interruption of load because of improper implementation of NYISO operating procedures by the NYISO
- The successful achievement of this goal is based upon the NYISO staff operating the bulk power system in compliance with NERC, NPCC, and related NYISO operating procedures

■ Consequences:

- Failure to achieve this goal will result in a 100% reduction to the corporate incentive payout

Reliability Gateway Goals

GOAL 2

■ Reliability Standards Violations

- The NYISO will maintain compliance with NERC Reliability Standards including Planning and Critical Infrastructure Protection Standards

■ Consequences:

- Failure to achieve this goal will result in an annual incentive amount decrease equal to any financial penalty. (For example, if the NYISO is penalized \$50k for a reliability violation, the bonus pool for corporate goals and objectives will be reduced by such amount. If penalties exceed the total bonus pool amount then there will be no bonus payout in that year.)
- Consequences Continued on Next Slide

Reliability Gateway Goals

GOAL 2 continued

■ Consequences Continued:

- Formal notification of non-compliance with a NERC standard with a violation severity level of medium, high or severe and a medium to high risk factor will result in an incentive payout reduction with higher reductions for higher severity levels or risk factors. However, the penalty percentage will be reduced by half for self identified issues.

	Violation Severity Level			
Violation Risk Factor	Lower	Moderate	High	Severe
Lower	N/A	N/A	N/A	N/A
Medium	N/A	10% Reduction	10% Reduction	10% Reduction
High	N/A	10% Reduction	20% Reduction	20% Reduction

Reliability Gateway Goals

GOAL 2 continued

- **Reliability Standards Violations**

- The NYISO will maintain compliance with NYSRC Rules

- **Consequences:**

- NYSRC Rule non-compliance will result in a 10% reduction to the corporate incentive payout. However, the penalty percentage will be reduced by half for self identified issues. (This metric is based on the NYSRC maintaining its current policies. Should the NYSRC change its policies, the NYISO reserves the option of changing this metric.)

Market Gateway Goals

GOAL 3a & 3b

■ **Functionality**

- Day-Ahead Market (DAM) Schedules are posted 100% of the time, and
- Market Information System (MIS) Availability is greater than or equal to 99.75%

■ **Consequences:**

- Failure to achieve either of these goals will result in a 100% reduction in the corporate incentive payout

Market Gateway Goals

GOAL 4

■ Excellence in Execution

- The NYISO, through its actions, will not cause a Market Problem with a material, adverse impact on the market greater than \$100M in a year (12-month period)

■ Consequences:

- Failure to achieve this goal will result in a 100% reduction in the corporate incentive payout

Draft Quality Goal

Quality Goal

GOAL 5 Quality Focus (25%)

- **The NYISO will demonstrate a strong commitment to quality. The NYISO's work will be of a high quality as measured by a minimal number and magnitude of quality defects.**

Higher Impact Defects Include:

- A market problem or a tariff violation with an impact greater than \$1M (as measured up to five years prior to identification)
- Unplanned outages of critical systems greater than eight hours due to, for example, operational or cyber security issues
- A qualified audit opinion on the Service Organization Controls (SOC 1) Report

Lower Impact Defects Include:

- A market problem or a tariff violation with an impact greater than \$100K, excluding those that are self identified (as measured up to five years prior to identification)
- Unplanned outages of critical systems greater than 1 hour and less than 8 hours due to, for example, operational or cyber security issues
- Failure to timely provide key Planning deliverables. The Gold Book will be posted for stakeholders no later than 4/30 and the Comprehensive Reliability Plan by 12/31
- DAM schedules posted in time for Real-Time but after 11AM Tariff deadline

Quality Goal

GOAL 5 Quality Focus Continued

- Achievement will be assessed based on the following:

	Threshold Payout (50%)	Target Payout (100%)	Superior Payout (150%)
Higher Impact Defects	No more than one <i>and</i>	None <i>and</i>	None <i>and</i>
Lower Impact Defects	9 or fewer	4-6	3 or fewer
Possible Achievement	12.5%	25%	37.5%

Note: If there is one Higher Impact Defect then Threshold is the maximum achievement possible and can only be achieved if there are fewer than 9 Lower Impact Defects.

Draft Strategic Goals

Strategic Goals

GOAL 6 – Goal 6A Business Plan Projects (25%)

- The NYISO will deliver the (24) major projects identified in the Business Plan during 2021.
- Achievement will be assessed based on the following:

	Threshold Payout (50%)	Target Payout (100%)	Superior Payout (150%)
Possible Achievement	No more than 4 missed projects	No more than 3 missed projects	No more than 2 missed projects
	12.5%	25%	37.5%

Strategic Goals

GOAL 6 Project Initiatives

- **Goal 6B – Key Project Initiatives (30%)**
 - Achievement will be assessed based on the following:

	Threshold Payout (50%)	Target Payout (100%)	Superior Payout (150%)
Possible Achievement	No more than 2 missed Key Projects	No more than 1 missed Key Project.	No missed Key Projects
	15%	30%	45%

Strategic Goals

GOAL 6 - Goal 6B Key Project Initiatives (30%)

- (#1) Distributed Energy Resources Participation Model – Deploy Communication Infrastructure, Complete Development of Software Code for the Billing Settlement System & Billing Simulator
- (#2) Reserves for Resource Flexibility - Deployment
- (#3) Ancillary Service Shortage Pricing – Deployment
- (#4) Hybrid Co-Located Model - Deployment
- (#5) Enterprise Information Management - Deployment
- (#6) Carbon Pricing – Software Design
- (#7) Tailored Availability Metric - Deployment
- (#8) Climate Change and Grid in Transition – Issue Discovery

Strategic Goals

GOAL 6 - Goal 6B Key Project Initiatives (30%)

- **(#1) Distributed Energy Resources Participation Model – Deploy Communication Infrastructure, Complete Development of Software Code for the Billing Settlement System and Billing Simulator**

In 2021, the NYISO will work on development of the required software including deployment of SD-WAN (Software-defined Wide Area Network), an enabling technology used for telemetry that is required for DER. In addition, the NYISO will complete software development for the Billing Settlement System and Billing Simulator. The remaining components, testing, market trials, and deployment to the production environment are planned for 2022.

Strategic Goals

GOAL 6 - Goal 6B Key Project Initiatives Continued (30%)

- **(#2) Reserves for Resource Flexibility - Deployment**

This project has identified the opportunity for better aligning operational needs and conditions of the grid with reserve requirements.

The deliverable for this project in 2021 will be Deployment based on the market design approved in 2020.

Strategic Goals

GOAL 6 - Goal 6B Key Project Initiatives Continued (30%)

- **(#3) Ancillary Service Shortage Pricing – Deployment**

This project will position the NYISO's markets to continue to provide efficient price signals reflecting the operational needs of the system as the grid transitions to higher intermittent penetration.

The 2021 project deliverable will be Deployment based on the market design approved in 2020.

Strategic Goals

GOAL 6 - Goal 6B Key Project Initiatives Continued (30%)

- **(#4) Hybrid Co-Located Model – Deployment**

This project is a continuation of the 2020 Hybrid Storage model Market Design Complete commitment and will work to integrate the rules and software needed to enable large-scale weather dependent and energy storage resources to participate as co-located resources behind a single interconnection point.

The 2021 project deliverable is Deployment for any software changes deemed necessary to support the market participation rules as approved from the 2020 Hybrid Storage Model project deliverable.

Strategic Goals

GOAL 6 - Goal 6B Key Project Initiatives Continued (30%)

- **(#5) Enterprise Information Management – Deployment**

This phase of the multi-year project will complete the migration of the Customer Settlements data mart, positioning the NYISO to upgrade the Oracle database to the latest version and to retire Oracle Warehouse Builder.

Strategic Goals

GOAL 6 - Goal 6B Key Project Initiatives Continued (30%)

- **(#6) Carbon Pricing – Software Design**

This phase of the NYISO's carbon pricing project will deliver a Software Design to effectuate the NYISO's carbon pricing proposal.

Strategic Goals

GOAL 6 - Goal 6B Key Project Initiatives Continued (30%)

- **(#7) Tailored Availability Metric – Deployment**

The objective of this project is to implement the market design changes approved by the BIC and MC in April 2020. The 2021 deliverable is Deployment consistent with approved modifications to these rules.

Strategic Goals

GOAL 6 - Goal 6B Key Project Initiatives Continued (30%)

■ (#8) Climate Change and Grid in Transition – Issue Discovery

Continue to study, investigate, discuss, and develop concepts described in the Reliability and Market Considerations for a Grid in Transition report. This project will also examine identified impacts to the bulk power system under the conditions modeled in Phase I and II of the Climate Change and Impact Resilience study. If wholesale market design changes are necessary to address specific impacts/issues, then the NYISO would propose concepts to address those impacts/issues. This project will position the wholesale markets to continue to support grid reliability as the mix of resources and system needs continues to evolve in New York.

Strategic Goals

Goal 6 Project Reprioritization Process

Reprioritization Process – If reprioritization of Project Initiatives is required a presentation to the Board of Directors will occur to identify the following:

- 1) Reason for the reprioritization (i.e. Regulatory Action or Order, Market Inefficiency)
- 2) Project deliverables that will be adjusted
- 3) Newly identified projects that will be added to the work plan
- 4) Stakeholder feedback regarding the reprioritization as received from the Budget & Priorities Working Group
- 5) Project Status reporting will be reviewed and updated for impacted projects. The intent of this step is to provide transparency regarding the status and specific reasons projects are being deferred or eliminated. A recommendation will be provided to the Board of Directors regarding if there should be any project “misses” identified for the purpose of the incentive plan.

The project plan will be modified to reflect the revisions and the incentive achievement will be measured against the revised plan, unless the Board of Directors provides definitive direction not to implement the reprioritization effort or recommends an alternate approach regarding the incentive plan.

Strategic Goals

GOAL 7 – Complete the Class Year Annual Transmission Baseline Assessment Study Cases (ATBA) (10%)

- Following the receipt of projects’ executed Class Year Study Agreements, study deposits and required technical data, the NYISO will complete the ATBA Study Cases within:
- Achievement will be assessed based on the following :

	Threshold Payout (50%)	Target Payout (100%)	Superior Payout (150%)
Possible Achievement	120 Days	90 Days	60 Days
	2.5%	5%	7.5%

Strategic Goals

GOAL 8 – Customer Satisfaction and Performance Index (5%)

- The Customer Satisfaction and Performance Index is comprised of multiple survey feedback channels (Annual Customer Survey, Customer Inquiry Survey, Ongoing Performance Assessment, and the CEO Strategic Outreach Survey). The feedback we receive from our customers is aggregated into a real-time, 12-month rolling average index to assure transparency and inform our stakeholders.
 - Achievement will be assessed for the customer satisfaction and performance objective as follows:

Possible Achievement	Threshold Payout (50%)	Target Payout (100%)	Superior Payout (150%)
	84.5% Result	86% Result	87% Result
	2.5%	5%	7.5%

Strategic Goals

GOAL 9 – Cost Management (5%)

- **NYISO will manage annual operating cost to a level below the approved annual Rate Schedule 1 Revenue Requirement (\$) while achieving the 2021 project commitments in the Business Plan.**
 - Achievement will be assessed based on the following relative to budget:

Possible Achievement	Threshold Payout (50%)	Target Payout (100%)	Superior Payout (150%)
	1.5% below	2.5% below	3.5% below
	2.5%	5%	7.5%

Our mission, in collaboration with our stakeholders, is to serve the public interest and provide benefit to consumers by:

- Maintaining and enhancing regional reliability
- Operating open, fair and competitive wholesale electricity markets
- Planning the power system for the future
- Providing factual information to policymakers, stakeholders and investors in the power system



Questions?