

2020

Annual Report

The New York Independent System Operator



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Message from Board Chair and President & CEO

As we reach the end of 2021, we appear to be emerging from the worst of the pandemic, and the many challenges and risks that COVID-19 brought to the world, and the energy grid in particular. With this difficulty hopefully behind us, we find ourselves at a new crossroads: how to prepare the New York energy grid for the changes to come as we move to a zero-emissions grid.

The NYISO's wholesale, competitive markets, which have served the grid so well in the past two decades, must continue to play a central role as we meet the clean energy mandates of the Climate Leadership and Community Protection Act (CLCPA) and prepare for a growth in electrification. In the past, these markets have promoted appropriate investment in energy resources and helped to reduce emissions around the state. In the future, they will help us keep the grid reliable as we move away from fossil fuels.

During the past year, the NYISO launched a number of market design and system planning initiatives to bring us further toward the CLCPA goals. We introduced new rules and programs that increase the role of energy storage resources in all of our markets. We integrated solar resources and forecasting capabilities. And we worked extensively with stakeholders to lower barriers to investments in renewable resources through comprehensive mitigation review.

At the same time, we updated our IT strategy and cybersecurity preparedness to better position us to meet the coming changes in the industry. And we further built on our role as an authoritative source of information.

Our success dealing with the many and unexpected impacts of COVID-19 illustrate the ability of this organization to meet new challenges quickly, flexibly, and successfully. As we continue to align our markets with state policy goals, our nimbleness will be further tested.

In this annual report, you will find more details illustrating how we are positioning our markets and planning processes for the challenges to come. We will continue to meet the challenges and opportunities of a changing grid and are pleased to be sharing our vision for the Grid of the Future.

Sincerely,

Daniel C. Hill

Daniel C. Hill, Chair
NYISO Board of Directors

Richard J. Dewey

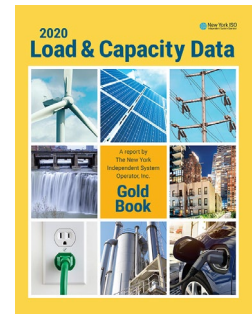
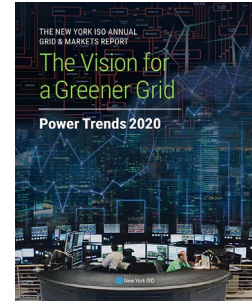
Richard J. Dewey,
President & CEO



Key Accomplishments

In addition to maintaining expected system reliability, the NYISO added new critical infrastructure and continued to support New York State policies requiring the development and reliable integration of new renewable resources and distributed energy resources. These accomplishments include:

- Implemented a comprehensive **pandemic response plan** to protect staff, market participants and all other stakeholders, enabling continued delivery on the NYISO mission to maintain reliable grid operation
- Conducted four **key studies** — the 2019 CARIS “70x30” scenario, the 2020 *Climate Change* study, the 2020 *Reliability Needs Assessment* and the 2020 *Grid In Transition study*
- Implemented **Energy Storage Participation Rules** allowing Energy Storage Resources (ESR), such as batteries, to fully participate in electricity markets
- Implemented a **Renewable Exemption** to Buyer Side Mitigation that supports entry of new renewable resources into the capacity market while maintaining competitive price signals. Proposed enhancements to the Buyer Side Mitigation Part A tests to sustain competitive market signals and align with public policy and goals. These efforts are part of the **Comprehensive Mitigation Review**
- FERC accepted the NYISO’s **DER Participation Model**, which is the first comprehensive set of rules for integrating DER aggregations into US wholesale energy and capacity markets
- Furthered rules to allow co-located energy storage and renewable resources to participate in the wholesale energy and capacity markets under its **Hybrid Co-Located Model** effort
- Completed design of **Solar on Dispatch** participation model
- Advanced improvements in our energy and ancillary services markets with stakeholder support for **Reserves for Resource Flexibility** and **Ancillary Services Shortage Pricing** designs
- Held the NYISO’s first-ever virtual **Joint Board of Directors and Management Committee meeting**
- Completed the **Demand Curve Reset** for 2021-2025, a periodic review of the NYISO’s ICAP Demand Curves that ensures the capacity market continues to efficiently support reliability and send accurate, transparent price signals
- Successfully implemented **EMS/BMS**, a multi-year project to upgrade both the Energy Management System (EMS) and the Business Management System (BMS), which will position the NYISO to make needed market changes as we transition to a sustainable and distributed power grid
- Finalized **Class Year 2019**, with 78 projects, representing a significant increase in clean energy projects
- Published **Power Trends 2020**, focusing on how the grid is being shaped by the CLCPA and other policies. And, the **2020 Gold Book**, a vital tool for staff, market participants, and energy industry stakeholders providing load and capacity data for the years 2020 to 2030, with energy and peak forecasts up to 2050.
- Received extensive **national media coverage** from leading news outlets, including the Washington Post and New York Times on how the NYISO has maintained grid reliability in the face of COVID-19
- Issued the **Corporate Social Responsibility Report 2020**, a new yearly publication that quantifies the size and power of the NYISO’s social responsibility footprint
- Continued the **IT Strategy** evolution to position the NYISO with the flexibility and agility to comprehensively respond to emerging industry trends through a modern
- Continued the **Cybersecurity Strategy** through a wide range of enhancements to the Cybersecurity Operations Center (CSOC) providing a comprehensive 24/7 security operations capability



Mission & Vision

The mission of the NYISO establishes the foundation from which all our responsibilities are delivered and the vision describes a future that we strive to achieve. Together, they provide the basis for the NYISO's Strategic Objectives and Strategic Initiatives, as well as a reference to guide decision making and action at all levels of the organization.



Mission

Ensure power system reliability and competitive markets for New York in a clean energy future.



Vision

Working together with stakeholders to build the cleanest, most reliable electric system in the nation.



Core Values

The core values of the NYISO form the foundation on which we conduct ourselves. The core values provide the guiding principles for our organization as we work together to fulfill our mission and vision.

✓ **Our People**

Working, learning and growing together, respecting and embracing our differences

✓ **Customer Focus**

Valuing our stakeholders' perspective

✓ **Integrity**

Commitment to honest, ethical, and transparent actions

✓ **Innovation**

Creating sound solutions in an environment of constant change

✓ **Excellence**

Accountability for excellence in all that we do

Market Participants

11772244 Canada Inc.	and Marketing LP	Dahlgren Energy LLC
3M Company	Broome Energy Resources, LLC	Danskammer Energy, LLC
Abest Power & Gas, LLC	Brown's Energy Services LLC	Darby Energy, LLLP
ABN Energy, LLC	Bruce Power Inc.	David Energy Supply, LLC
Accent Energy Midwest II LLC	Buy Energy Direct, LLC	DC Energy LLC
dba IGS Energy	Calpine Energy Services LP	DC Energy New York, LLC
ACT Commodities Inc.	Calpine Energy Solutions, LLC	Direct Energy Business LLC
Aesir Power, LLC	Canandaigua Power Partners, LLC	Direct Energy Business Marketing, LLC
Aggressive Energy, LLC	Canastota Windpower LLC	Direct Energy Marketing Inc.
Agway Energy Services, LLC	Carr Street Generating Station LP	Direct Energy Services, LLC
Albany Energy LLC	Cassadaga Wind LLC	DTE Energy Trading Inc
All American Power and Gas, LLC	Castleton Commodities Merchant	Dynamis ETF, LLC
All Choice Energy, LLC	Trading L.P.	Dynasty Power Inc.
Alpha Gas and Electric, LLC	Castleton Power, LLC	Dynegy Marketing and Trade, LLC
Alphataraxia Nickel LLC	CECONY-LSE	(DMT)
Ambit New York, LLC	Central Hudson Gas & Electric Corp	Eagle Creek Hydro Power, LLC
American Power & Gas, LLC	Centre Lane Trading Ltd.	Eagle Power Authority, Inc.
AP Gas & Electric (NY), LLC	Centrica Business Solutions	Eagles Power, LLC
dba APG&E	Optimize, LLC	East Coast Power, LLC
AP Gas & Electric (TX), LLC	Champion Energy Services, LLC	EDF Energy Services, LLC
Appian Way Energy Partners East, LLC	Chief Energy Power, LLC	EDF Trading North America, LLC
Approved Energy II LLC	Citigroup Energy Inc.	EDP Renewables North America, LLC
ARC Private Capital Inc.	Citizens Choice Energy, LLC	Effinex, LLC
Ardor Energy Limited Liability Compa	dba AmeriChoice Energy	eKapital NY, LLC
Arkwright Summit Wind Farm LLC	City of Niagara Falls	Eligo Energy, LLC
ASC Energy Services Inc.	City Power & Gas, LLC	Eligo Energy NY, LLC
Astoria Energy II, LLC	CleanChoice Energy, Inc.	Elyctra LLC
Astoria Energy LLC	dba Ethical Electric	Emera Energy Services, Inc.
Astoria Generating Company L.P.	Clearview Electric, Inc.	Emera Energy Services Subsidiary
Astral Energy LLC	COI Energy Services, Inc.	No. 1, LLC
Atlantic Energy, LLC	Columbia Utilities Power, LLC	Emera Energy Services Subsidiary
Atlantic Power and Gas LLC	Con Edison Solutions, Inc.	No. 15, LLC
ATNV Energy, LP	ConocoPhillips Company	Emera Energy Services Subsidiary
Avangrid Renewables, LLC	Consolidated Edison Co. of	No. 2, LLC
Axon Energy, LLC	New York, Inc.	Emera Energy Services Subsidiary
Axpo U.S. LLC	Consolidated Edison Energy, Inc.	No. 3, LLC
Barclays Services Corporation	Consolidated Hydro New York, Inc.	Emera Energy U.S. Subsidiary
Bayonne Energy Center, LLC	Consolidated Power Co., LLC	No. 1, Inc.
Big Bend Trading, LLC	Constellation NewEnergy, Inc.	Emera Energy U.S. Subsidiary
BioUrja Power, LLC	Convergent Energy and Power LP	No. 2, Inc.
BJ Energy LLC	County of Erie NY	Empire Generating Co, LLC
Blackout Power Trading Inc.	County of Niagara NY	Empire Natural Gas Corp.
Black River Hydroelectric, LLC	Covanta Niagara, LP	EMP Power, LLC
Blueprint Power Technologies Inc.	CP Energy Marketing (US) Inc.	Enel Trading North America, LLC
Boralex Hydro Operations Inc.	CPV Towantic, LLC	Enel X North America, LLC
Boston Energy Trading and	CPV Valley, LLC	Energy Power Investment Company, LLC
Marketing LLC	Credit Suisse (USA), Inc.	Energy Services Providers, Inc
BP Energy Company	Cricket Valley Energy Center, LLC	dba NY Gas&Electric
Brookfield Energy Marketing LP	Cubit Power One Inc.	Energy Spectrum Inc.
Brookfield Renewable Energy	Cummins Inc.	Energy Technology Savings, Inc
Marketing US LLC	Curio Analytics Inc.	dba Logical Buildings
Brookfield Renewable Trading	CWP Energy Inc.	Enerwise Global Technologies, Inc.
		dba CPower

Engelhart CTP (US) LLC	In Commodities US LLC	Metering Authority – Consolidated Edison of NY
ENGIE Energy Marketing NA, Inc.	Indeck-Corinth LP	Metering Authority – Long Island Power Authority
ENGIE Power & Gas LLC	Indeck Energy Svs of Silver Springs	Metering Authority – New York Power Authority
ENGIE Rsources, LLC	Indeck-Olean LP	Metering Authority – New York State Electric & Gas
ENGIE Retail, LLC	Indeck-Oswego LP	Metering Authority – Niagara Mohawk
Entergy Nuclear Power Marketing LLC	Indeck-Yerkes LP	Metering Authority – Orange and Rockland Utilities
Entergy Solutions LLC	Independence Energy Group LLC dba Cirro Energy	Metering Authority – Rochester Gas and Electric
Erie Boulevard Hydropower LP	Indus Valley Strategies LLC	MidAmerican Energy Services, LLC
Erie Wind, LLC	Inertia Power V, LLC	Midwest Energy Trading East LLC
ERY HYMCO LLC	Innovative Energy Systems, Inc.	Mirabito Power & Gas, LLC
ETC Endure Energy L.L.C.	Innoventive Power LLC	Model City Energy, LLC
ETS Emerald LLC	Inspire Energy Holdings, LLC	Modern Innovative Energy, LLC
Evergy Kansas Central, Inc.	International Paper Company	Monroe County NY
Everyday Energy, LLC	Invenia Technical Computing Corporation	Morgan Stanley Capital Group, Inc.
Exelon Generation Company LLC	IPKeys Power Partners, LLC	Morgan Stanley Services Group Inc.
Family Energy Inc	Islip Resource Recovery Agency	MP2 Energy LLC
FC Energy Services Company, LLC	J. Aron & Company LLC	MP2 Energy NE LLC
First Choice Energy, Inc.	Jamestown Board of Public Utilities	MPH Rockaway Peakers, Inc
First Commodities International Inc.	Jericho Rise Wind Farm LLC	MPower Energy LLC
First Nest LLC	Josco Energy Corp.	Munnsville Wind Farm, LLC
FiTran Fund LP	Just Energy New York Corp	Nalcor Energy Marketing Corporation
Flanders Energy LLC	Kaleida Health	National Gas & Electric, LLC
Flat Rock Windpower II LLC	KFW Energy Trading, LLC	Nationwide Energy, LLC
Flat Rock Windpower LLC	Kingston CoGen Limited Partnership	NDC Partners LLC
Freepoint Commodities LLC	Kiwi Energy NY LLC	New Athens Generating Company LLC
Freepoint Energy Solutions LLC	Leapfrog Power, Inc.	New Wave Energy Corp
Freeport Electric	Liberty Power Holdings LLC	New York Industrial Energy Buyers, LLC
Galaxy Energy Holdings, Inc.	Lockport Energy Assoc.	New York Municipal Power Agency
Galilean Electricae LLC	Logistic Energy LLC	New York Power Authority
Galt Power Inc.	Long Island Power Authority	New York State Electric & Gas Corp.
Gateway Energy Services Corporation	LS Power Grid New York Corporation I	New York Transco LLC
GBE Power Inc.	Lyonsdale Biomass, LLC	NextEra Energy Marketing, LLC
Gen IV Investment Opportunities, LLC	M&R Energy Resources Corp.	NextEra Energy Services Massachusetts, LLC
GenOn Energy Management, LLC	Macquarie Energy LLC	NextEra Energy Services New York, LLC
Gravity Renewables, Inc.	Macquarie Energy Trading LLC	Next Utility Energy LLC
Great American Gas & Electric, LLC	Madison Windpower, LLC	Nexus Energy Inc.
Green Island Power Authority	MAG Energy Solutions Inc.	Niagara Frontier Transportation Authority
Greenlight Energy Inc.	Major Energy Electric Services, LLC	Niagara Mohawk Power Corp.
Green Mountain Energy Company	Manifold Energy Inc.	Niagara University
Green Mountain Power Corporation	Marathon Power LLC dba Marathon Energy	Niagara Wind Power, LLC
GRG Energy LLC	Marble River, LLC	Nine Mile Point Nuclear Station, LLC
Grid Power Direct, LLC	Marsh Hill Energy LLC	Nissequogue Cogen Partners
Griffiss Utility Services Corporation	Matador Power Marketing Inc.	NOCO Electric LLC
Group628, LLC	Mayflower Power & Gas LLC	Nordic Energy Services, LLC
H.Q. Energy Services (U.S.) Inc.	Median Energy Corp.	
Hardscrabble Wind Power LLC	Mercuria Energy America, LLC	
Hartree Partners, LP	Mercuria SJAK Trading, LLC	
Helix Ravenswood, LLC	Merrill Lynch Commodities, Inc.	
Homer City Generation, L.P.	Messer Energy Services, Inc.	
Horizon Energy of New York, LLC	Metering Authority – Central Hudson Gas and Electric	
Howard Wind LLC		
Hudson Energy Services, LLC		
Icon Energy, LLC		
IDT Energy, Inc		

North American Power and Gas LLC	Saracen Energy West LP	Uncia Energy, LP - Series F
Northbrook Lyons Falls, LLC	Saracen Power LP	Uniper Global Commodities North America LLC
North Country Data Center Corp	Saranac Power Partners, L.P.	University of Rochester
Northern States Power Company	SBF New York, L.L.C.	Valcour Altona Windpark, LLC
Northland Power Energy Marketing (US) Inc.	Schools & Municipal Energy Cooperative (SMEC)	Valcour Bliss Windpark, LLC
Northstar NY Ltd.	Selkirk Cogen Partners, L.P.	Valcour Chateaugay Windpark, LLC
NRG Curtailment Solutions, Inc.	Seneca Energy II, LLC	Valcour Clinton Windpark, LLC
NRG Power Marketing LLC	Seneca Power Partners, L.P.	Valcour Ellenburg Windpark, LLC
NuEnerGen, LLC	SESCO Enterprises LLC	Valcour Wethersfield Windpark, LLC
Nyquist LLC	Sheldon Energy LLC	Valcour Wind Energy, LLC
NYTCR LLC	Shell Energy North America (US), L.P	VECO Power Trading, LLC
Occidental Power Services Inc.	Siemens Industry, Inc	Verde Energy USA New York, LLC
OCP Resources, LLC	Sirrius Energy LLC	Village of Rockville Centre
Ontario Power Generation Energy Trading, Inc.	SmartEnergy Holdings, LLC	Viridian Energy NY, LLC
Ontario Power Generation Inc.	SmartestEnergy US, LLC	Viridity Energy Solutions Inc.
Open Book Energy, LLC	Smart One Energy, LLC	Vitol Inc.
Orange & Rockland Utilities, Inc.	SociVolta Inc.	Voltus, Inc.
ORU-LSE	Sol Energy, LLC	Warner Media, LLC
Pacific Summit Energy LLC	South Bay Energy Corp.	Watchtower Bible and Tract Society of New York, In
Palmco Power NY, LLC	South Jersey Energy Company	Western New York Wind Corp.
Pay Less Energy, LLC	Spark Energy, LLC	Wheelabrator Hudson Falls, LLC
Peninsula Power, LLC	Standard Normal Energy LLC	Wheelabrator Westchester, L.P.
Phoenix Energy Group, LLC	Starion Energy NY, Inc.	WM Renewable Energy, LLC
Plant-E Corp.	StatArb Investment LLC	XO Energy NY, LP
Polaris Power Services LLC	State of New York - OGS	XO Energy NY2, LP
Power Up Energy, LLC	State of New York - OGS Municipal	XOOM Energy, LLC
Precept Power LLC	State of New York - SUNY	XOOM Energy New York, LLC
Premier Empire Energy LLC	State of New York – SUNY Buffalo	Ziarre Trading LLC
PSEG Energy Resource & Trade, LLC	Stephentown Spindle, LLC	Zone One Energy, LLC
Public Power, LLC	Stony Creek Energy LLC	
Pure Energy Inc.	Stream Energy New York, LLC	
Pure Energy USA, LLC dba Pure Energy	SunSea Energy, LLC	
Quantum Power Corp.	Sunwave Gas & Power New York Inc.	
R.E. Ginna Nuclear Power Plant, LLC	Sustaining Power Solutions LLC	
Rainbow Energy Marketing Corp	Synergy Biogas LLC	
RED-Rochester, LLC	Talen Energy Marketing, LLC	
ReEnergy Black River LLC	TEC Energy Inc.	
Rensselaer Generating LLC	Tenaska Power Services Co.	
Residents Energy, LLC	Texas Retail Energy, LLC	
Rinar Power LLC	Thordin ApS	
Riverbay Corporation	Tnergy LLC	
Robison Energy, LLC	Trafigura Trading LLC	
Robison Energy (Commercial) LLC dba OriginalEnergy	TrailStone Power, LLC	
Rochester Gas & Electric Corp.	Trane Grid Services LLC	
Roctop Investments Inc.	TransAlta Energy Marketing (U.S.) Inc.	
Rodan Energy Solutions (USA) Inc.	Transgrid Midwest LLC	
Roseton Generating LLC	Triton Power Company	
RWE Renewables QSE, LLC	TrueLight Energy Fund, LP	
S.J. Energy Partners, Inc.	Twin Eagle Resource Management, LLC	
Saracen Energy East LP	U.S. Energy Partners LLC	
Saracen Energy Midwest LP	UGI Energy Services, LLC	

Corporate Governance

Board of Directors

Daniel C. Hill, Board Chair

Former Senior Vice President and Chief Information Officer of Exelon Corporation

Ave M. Bie, Board Vice Chair

Partner in the law firm of Quarles & Brady and former Chair of the Wisconsin Public Service Commission

Michael B. Bemis

Former President of Exelon Power and President of Energy Delivery for the Exelon Corporation, Chief Executive of London Electricity, and Executive Vice President for Entergy Corporation

David R. Hill

Former Executive Vice President and General Counsel for NRG Energy, General Counsel for the U.S. Department of Energy. Currently, Fellow and Adjunct Senior Research Scholar at Columbia University's Center on Global Energy Policy

Roger B. Kelley

Former President and CEO of the New York Power Authority, and former President and CEO of Fortistar Renewables

Mark S. Lynch

Former President and CEO of New York State Electric and Gas Corporation and Rochester Gas and Electric Corporation, and former President and CEO of the New York Independent System Operator

James V. Mahoney

President and CEO of Energy Market Solutions, former President and CEO of DPL, and former President and CEO of EarthFirst Technologies

Teresa F. Marrinan

Former Senior Vice President, US SBU Commercial for The AES Corporation, former officer for the Dayton Power and Light Company, and Founding Partner of Hanover Strategy Advisors LLC

Thomas F. Ryan, Jr.

Former President and Chief Operating Officer of the American Stock Exchange

Richard J. Dewey

President and CEO of the New York Independent System Operator

Corporate Officers

Richard J. Dewey

President & CEO

Rana Mukerji

Senior Vice President, Market Structures

Kevin Lanahan

Vice President, External Affairs & Corporate Communications

Robert E. Fernandez

Executive Vice President, General Counsel & Chief Compliance Officer

Douglas L. Chapman

Vice President & Chief Information Officer

Robb Pike

Vice President, Market Operations

Emilie Nelson

Executive Vice President

Diane L. Egan

Corporate Secretary & Board Secretary

Zachary G. Smith

Vice President, System & Resource Planning

Rick Gonzales

Senior Vice President & Chief Operating Officer

Cheryl L. Hussey

Vice President & Chief Financial Officer

Wesley J. Yeomans

Vice President, Operations

2020 Financial Statements

Independent Auditors' Report

The Board of Directors
New York Independent System Operator, Inc.

We have audited the accompanying financial statements of New York Independent System Operator, Inc., which comprise the statements of financial position as of December 31, 2020 and 2019, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of New York Independent System Operator, Inc. as of December 31, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Albany, New York
March 15, 2021

**NEW YORK INDEPENDENT
SYSTEM OPERATOR, INC.**

Statements of Financial Position

December 31, 2020 and 2019

Assets	2020	2019
Current assets:		
Cash and cash equivalents	\$ 48,635,201	45,800,594
Restricted cash	322,362,679	410,079,028
Marketable securities (note 8)	2,454,069	1,834,535
Accounts receivable – net (note 2)	49,994,984	52,391,595
Prepaid expenses	7,503,463	7,202,504
Regulatory assets – current portion (note 3)	2,161,586	3,436,333
Other current assets	279,621	484,242
Total current assets	433,391,603	521,228,831
Noncurrent assets:		
Regulatory assets (note 3)	28,703,269	23,407,485
Property and equipment – net (note 4)	109,728,989	115,171,171
Other noncurrent assets (note 7)	1,076,414	1,819,790
Total noncurrent assets	139,508,672	140,398,446
Total	\$ 572,900,275	661,627,277
Liabilities		
Current liabilities:		
Accounts payable and accrued expenses	\$ 24,480,764	23,978,609
Market participant settlements	83,081,006	146,966,498
Market participant security deposits	242,246,878	265,095,285
Market participant prepayments	6,114,027	11,746,706
Working capital reserve (note 11)	33,256,332	34,507,639
Long-term debt – current portion (note 6)	34,503,793	26,522,191
Regulatory liabilities – current portion (note 3)	13,039,170	6,413,009
Deferred revenue (note 10)	26,667,806	29,325,094
Other current liabilities (note 8)	1,915,954	1,823,727
Total current liabilities	465,305,730	546,378,758
Noncurrent liabilities:		
Accrued pension liability (note 8)	7,199,808	6,588,136
Accrued postretirement liability (note 8)	8,071,289	7,260,599
Regulatory liabilities (note 3)	21,311,970	26,819,984
Other noncurrent liabilities (notes 7 and 8)	10,609,138	6,261,160
Long-term debt (note 6)	60,402,340	68,318,640
Total noncurrent liabilities	107,594,545	115,248,519
Total liabilities	572,900,275	661,627,277
Net assets without donor restrictions	—	—
Total liabilities and net assets	\$ 572,900,275	661,627,277

See accompanying notes to financial statements.

**NEW YORK INDEPENDENT
SYSTEM OPERATOR, INC.**

Statements of Activities

Years ended December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Revenues:		
Rate Schedule 1 tariff charge	\$ 172,202,685	157,502,066
Planning studies revenue	15,315,932	8,777,153
Federal Energy Regulatory Commission fees recovery	13,946,886	13,132,000
Fees and services	971,465	1,156,752
Interest income	218,851	1,450,669
Total revenues	<u>202,655,819</u>	<u>182,018,640</u>
Operating expenses:		
Compensation and related benefits (note 8)	94,814,501	88,149,476
Professional fees and consultants	30,966,071	24,635,563
Depreciation (note 4)	22,829,018	15,311,743
Maintenance, software licenses and facility costs	21,908,612	21,687,275
Federal Energy Regulatory Commission fees	13,946,886	13,132,000
Administrative and other expenses	4,793,116	4,846,261
Change in fair value of interest rate swaps (note 7)	3,959,701	3,084,544
Interest expense	3,054,086	3,521,816
Telecommunication expenses	3,019,897	3,202,298
Insurance expense	3,013,802	2,728,488
Training, travel, and meeting expenses	395,901	1,707,559
Northeast Power Coordinating Council fees	276,666	273,634
Change in fair value of marketable securities	(322,438)	(262,017)
Total operating expenses	<u>202,655,819</u>	<u>182,018,640</u>
Change in net assets without donor restrictions	—	—
Net assets without donor restrictions, beginning of year	—	—
Net assets without donor restrictions, end of year	<u>\$ —</u>	<u>—</u>

See accompanying notes to financial statements.

**NEW YORK INDEPENDENT
SYSTEM OPERATOR, INC.**

Statements of Cash Flows

Years ended December 31, 2020 and 2019

	2020	2019
Cash flows from (used in) operating activities:		
Change in net assets without donor restrictions	\$ —	\$ —
Adjustments to reconcile change in net assets without donor restrictions to net cash (used in) provided by operating activities:		
Depreciation	22,829,018	15,311,743
Amortization of debt issuance costs	26,470	8,561
Loss on disposition of assets	—	10,328
Change in fair value of interest rate swaps	3,959,701	3,084,544
Change in fair value of marketable securities	(322,438)	(262,017)
Change in operating assets and liabilities that provide (use) cash:		
Accounts receivable	2,396,611	(44,031,879)
Marketable securities	(297,096)	(281,956)
Regulatory assets	(4,080,561)	(8,283,631)
Prepaid expenses and other assets	647,039	256,912
Accounts payable and accrued expenses	412,041	761,545
Market participant settlements	(63,885,492)	59,460,310
Market participant prepayments	(5,632,679)	1,377,752
Market participant security deposits	(22,848,407)	19,804,766
Working capital reserve	(1,251,307)	12,116
Regulatory liabilities	1,272,751	13,733,892
Pension and postretirement liabilities	95,080	(243,348)
Deferred revenue and other liabilities	(944,582)	14,423,305
Net cash (used in) provided by operating activities	<u>(67,623,851)</u>	<u>75,142,943</u>
Cash flows from investing activities:		
Acquisition of property and equipment (including capitalized interest)	(17,296,723)	(19,915,272)
Proceeds on disposition of assets	—	1,200
Net cash used in investing activities	<u>(17,296,723)</u>	<u>(19,914,072)</u>
Cash flows from financing activities:		
Proceeds from revolving credit facility loan	18,600,000	8,600,000
Repayment of revolving credit facility loan	(18,600,000)	(8,600,000)
Proceeds from 2019 – 2023 budget facility loan	26,600,000	26,000,000
Repayment of 2019 – 2023 budget facility loan	(8,666,743)	—
Repayment of 2014 – 2018 budget facility loan	(8,443,000)	(29,026,026)
Proceeds from 2016 – 2019 EMS/BMS facility loan	—	3,595,000
Repayment of 2016 – 2019 EMS/BMS facility loan	(5,360,813)	(11,197,521)
Repayment of 2012 Infrastructure Loan	(2,646,316)	(2,646,316)
Repayment of Mortgage and Renovations loans	(1,444,296)	(1,362,879)
Net cash provided by (used in) by financing activities	<u>38,832</u>	<u>(14,637,742)</u>
Net (decrease) increase in cash, cash equivalents and restricted cash	<u>(84,881,742)</u>	<u>40,591,129</u>
Cash, cash equivalents and restricted cash – beginning of year	<u>455,879,622</u>	<u>415,288,493</u>
Cash, cash equivalents and restricted cash – end of year	<u>\$ 370,997,880</u>	<u>455,879,622</u>
Supplemental disclosure of cash flow information – cash paid during the year for interest, net of capitalized interest	\$ 3,052,408	3,583,338
Noncash investing activities:		
Property and equipment additions which were accrued but not paid	\$ 1,168,407	1,078,293
Property and equipment additions previously accrued which were paid	1,078,293	1,424,558

See accompanying notes to financial statements.

**NEW YORK INDEPENDENT
SYSTEM OPERATOR, INC.**

Notes to Financial Statements

December 31, 2020 and 2019

(1) Summary of Significant Accounting Policies

(a) Business Description

The New York Independent System Operator, Inc. (NYISO) was formed in April 1997 and commenced operations on December 1, 1999. NYISO is incorporated in the state of New York as a not-for-profit organization. NYISO assumed the responsibilities of its predecessor, the New York Power Pool (NYPP), which had coordinated the reliability of New York State's electric power grid for more than 30 years. Formed as a result of Federal Energy Regulatory Commission (FERC) policies, NYISO monitors a network of 11,000 circuit miles of high-voltage transmission lines and serves approximately 400 market participants.

NYISO's mission, in collaboration with its 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, and providing factual information to policy makers, stakeholders and investors in the power system. The NYISO facilitates fair and open competition in the wholesale electricity markets in which electricity and related services are purchased and sold on the basis of competitive bidding. Billing invoices are issued by NYISO to each market participant to settle transactions occurring in the NYISO markets.

NYISO is governed by an independent board of directors, as well as a committee structure consisting of market participant representatives. In addition to FERC oversight, NYISO is also subject to regulation in certain aspects by the New York State Department of Public Service Commission.

(b) Effects of COVID-19 Pandemic

In December 2019, an outbreak of a novel strain of coronavirus (COVID-19) emerged, and in March 2020, the World Health Organization recognized COVID-19 as a pandemic. Since that point, the outbreak has spread globally and has led governments and other authorities around the world to impose varying degrees of measures intended to reduce its spread. Depending on the jurisdiction, these measures have continued to remain in place, becoming more or less restrictive based on the changing conditions in the respective jurisdictions, and this will continue to evolve based on the availability, distribution and efficacy of developed vaccines, as well as public perceptions of the vaccines.

Emergency measures enacted by governments, including social distancing, travel restrictions, voluntary isolation, and other measures, are creating major challenges affecting the economy and for which the magnitude, impact, and duration are unknown. The propagation of COVID-19 may extend into the future and affect, either directly or indirectly, the NYISO's operations as well as its suppliers and customers.

The NYISO provides essential services during this emergency and communicates regularly with federal and state authorities and industry resources to ensure a coordinated response. The NYISO regularly communicates with its customers to help them stay informed during this public health crisis.

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COVID-19 did not have a significant impact on the annual financial statements as of December 31, 2020. The NYISO is continually monitoring the evolution of the situation and contributing to the collective effort to fight the spread of COVID-19.

(c) Basis of Accounting and Presentation

The accompanying financial statements have been prepared on an accrual basis of accounting in accordance with U.S. generally accepted accounting principles and Financial Accounting Standards Board Accounting Standards Codification (FASB ASC) Topic 980, *Regulated Operations*, and FASB ASC 958, *Not-for-Profit Entities*.

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant items subject to such estimates and assumptions include the useful lives of fixed assets, recoverability of regulatory assets, the valuation of derivative instruments, and assumptions utilized in the accounting for employee benefit obligations such as discount rates, return on assets, fair value of investments and other contingencies.

(d) Regulatory Accounting

NYISO's financial statements are prepared in accordance with generally accepted accounting principles for rate-regulated entities. As such, regulators may permit specific incurred costs, typically treated as expenses by unregulated entities, to be deferred and expensed in future periods when it is probable that such costs will be recovered in customer rates. Incurred costs are deferred as regulatory assets when NYISO concludes that it is probable future revenues will be provided to permit recovery of the previously incurred cost. A regulatory liability is recorded when amounts that have been recorded by NYISO are likely to be refunded to customers through the rate-setting process.

(e) Revenue Recognition

Settlements of market participants' energy transactions are not reflected in NYISO's Statements of Activities since they do not represent revenues or expenses of NYISO, as NYISO merely acts as an intermediary in the settlement process. In this role, NYISO receives and disburses funds from and to market participants for each settlement period.

Effective July 1, 2012, NYISO's two FERC-approved tariffs, the Open Access Transmission Tariff (OATT) and the Market Administration and Control Area Services Tariff (Services Tariff), were amended to clarify NYISO's role as the single counterparty to market participant transactions in the NYISO markets. For all market participant transactions in the NYISO markets, flash title passes through NYISO immediately prior to passing to the ultimate buyer and seller of the product. This arrangement reinforces NYISO's authority to continue to net a market participant's offsetting financial positions in NYISO markets for credit and billing purposes; provides clarity in NYISO's legal standing to pursue collection from a bankrupt market participant; and, also complies with the FERC directives on credit policy requirements for competitive wholesale electricity markets.

**NEW YORK INDEPENDENT
SYSTEM OPERATOR, INC.**

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NYISO's tariffs allow recovery of NYISO's capital requirements, operating expenses and debt service costs through a surcharge assessed to market participants. The revenue from this surcharge, Rate Schedule 1, is earned when energy is scheduled and dispatched. Market participants are then billed for such charges in the subsequent settlement period's invoice.

NYISO's Rate Schedule 1 includes a timing mechanism that effectively meets the requirements of an alternative revenue program set forth in FASB ASC Topic 980, *Regulated Operations*, Subtopic 602, *Revenue Recognition*. Accordingly, revenue is recognized for net financing obligations and capital costs incurred during the reporting period, funding for pension and postretirement benefits, and other rate schedule adjustments, as appropriate, based on the revenue requirement formula in the tariffs.

NYISO also recognizes revenue and an offsetting expense for the annual FERC Assessment Fee (the Assessment Fee). The FERC generally invoices transmission providers in June of each year and payment is due in August. NYISO bills the Assessment Fee based on an estimated rate per megawatt hour applied to each individual transmission customer's actual megawatt hours of transmission usage for the month. Once the FERC invoice is received, NYISO calculates a true up and recovers (or refunds) this true up amount over a six month period following receipt of the invoice. NYISO recognizes the revenue and an offsetting expense each month as the Assessment Fee is billed.

Revenues recorded as planning studies revenues arise from billing and collection services in the study service agreement process performed by NYISO. These revenues are offset by the corresponding study expenses, recorded in operating expenses, which were incurred in performing such studies. A portion of the deposits related to planning studies are nonrefundable and recorded as revenue when received.

(f) Cash and Cash Equivalents

NYISO considers short-term marketable securities with original maturities of three months or less to be cash equivalents. The cash equivalents at December 31, 2020 and 2019 were held in money market accounts invested primarily in short-term U.S. government obligations. NYISO's cash and cash equivalents consist primarily of funds accumulated for the working capital reserve, for general operating purposes, and amounts for funding certain employee benefit plans.

(g) Restricted Cash

Restricted cash consists primarily of market participant security deposits held in escrow accounts, amounts prepaid by market participants in advance of settlement billing dates, amounts collected on settlement invoices, amounts collected for Transmission Congestion Contract (TCC) auctions, amounts deposited for planning studies, amounts collected for the estimated annual FERC fee and amounts collected for voltage support services. Market participant security deposits are invested at the market participant's choice in taxable money market funds.

**NEW YORK INDEPENDENT
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Notes to Financial Statements

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The following table details the ending balances for Cash, Cash Equivalents and Restricted Cash amounts as reported on the Statements of Cash Flows:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 48,635,201	45,800,594
Restricted cash	<u>322,362,679</u>	<u>410,079,028</u>
Cash, cash equivalents and restricted cash end of year	<u>\$ 370,997,880</u>	<u>455,879,622</u>

(h) Property and Equipment

Property and equipment are recorded at cost. NYISO capitalizes property and equipment additions in excess of \$5,000 with a useful life greater than one year. Depreciation is computed on the straight-line method over the assets' estimated useful lives of three to five years, except for building and building improvements, which are depreciated on a straight-line basis over 20 years. When assets are retired or otherwise disposed of, the cost and related depreciation are removed, and any resulting gain or loss is reflected in expense for the period. Repairs and maintenance costs are charged to expense when incurred.

The NYISO capitalizes the cost of payroll and payroll-related costs, third-party consulting fees, overhead and interest incurred in the direct development or enhancement of solutions as internal-use software. Development costs incurred during the preliminary project stage and costs incurred for requirements gathering, data conversion activities, training, maintenance and minor enhancements are expensed as incurred. Development costs incurred for the coding, configuration, interfacing, automation and testing of new functionality after the preliminary project stage is complete are capitalized. Capitalized software costs are amortized on a straight-line basis over three years, based on the nature and estimated useful life of the applicable asset. Amortization of capitalized software costs is included in depreciation and amortization expense within the Statements of Activities.

Long-lived assets are recorded at cost, and are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amounts of the assets may not be recoverable. Management is not aware of any events or changes in circumstances that would necessitate a review of any long-lived assets as of the years ended December 31, 2020 and 2019.

(i) Working Capital Reserve

In order to maintain the liquidity and stability of NYISO's markets, NYISO has accumulated a working capital reserve through amounts charged to market participants under the Rate Schedule 1. Any change to NYISO's working capital needs would be billed to market participants in future Rate Schedule 1 charges. Market participants are entitled to interest on their principal contributions to the working capital reserve. Each market participant is allocated interest based on the respective ratio share of each market participant's principal contributions to the total working capital reserve. Accumulated interest on the working capital reserve is distributed annually to market participants.

**NEW YORK INDEPENDENT
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(j) Market Participant Prepayments

To reduce certain energy and ancillary services credit requirements, Market Participants may choose to prepay to the NYISO, in advance of settlement billing dates, their energy and ancillary services financial obligations. Moreover, certain market participants choose to make advance payments to the NYISO to be applied to future settlement invoices. Market participant prepayments are presented within restricted cash and current liabilities on the accompanying Statements of Financial Position.

(k) Deferred Revenue

Advance payments from developers for planning studies and governance participation fees are reflected as deferred revenue.

Planning study revenue is recognized as earned when costs are incurred and billed to developers to complete such studies. Fees for participation in NYISO's governance process are billed to market participants in advance of the year for which they apply and are amortized over the related governance period. All such unamortized amounts are included in Deferred Revenue.

(l) Income Taxes

NYISO has been recognized by the Internal Revenue Service as an organization described in Internal Revenue Code (The Code) Section 501(c)(3) and is generally exempt from income taxes under Section 501(a) of the Code. During the calendar years 2020 and 2019, no material unrelated business taxable income was generated by NYISO, and therefore no disclosure is made for federal or state income taxes.

The NYISO has determined prior to recording any benefit in the financial statements that it is more likely than not that the tax position will be sustained upon examination by the appropriate taxing authorities, as required by the Accounting for Uncertainty in Income Taxes Topic within FASB ASC 740, *Income Taxes*. A tax position is measured at the largest amount of benefit that is greater than fifty percent likely of being realized upon settlement.

(m) Fair Value

NYISO utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible. Fair value is determined based on assumptions that market participants would use in pricing an asset or liability in the principal or most advantageous market. When considering market participant assumptions in fair value measurements, the following fair value hierarchy distinguishes between the observable and unobservable inputs, which are categorized in one of the following levels:

Level 1: Quoted prices (unadjusted) in active markets for identical assets as of the measurement date. An active market is one in which transactions occur with sufficient frequency and volume to provide pricing information on an ongoing basis. Market price data is generally obtained from exchanges or dealer markets.

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Level 2: Pricing inputs from other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the same term of assets. Inputs are obtained from various sources including market participants, dealers and brokers.

Level 3: Pricing inputs are unobservable and include little, if any, market activity for the investments.

The level in the fair value hierarchy within which a fair value measurement in its entirety falls is based on the lowest-level input that is available for that particular financial instrument.

NYISO's financial instruments consist primarily of cash and cash equivalents, restricted cash, marketable securities, accounts receivable, prepaid expenses, accounts payable and accrued expenses, short-term and long-term debt, and benefit plan assets such that carrying value approximates fair value. The fair value of derivative instruments and benefit plan assets is discussed in notes 7 and 8, respectively.

(n) Pension and Other Postretirement Benefit Plans

NYISO has a defined benefit pension plan covering certain employees upon their retirement. The benefits are based on years of service and employee's compensation during the five years before retirement. NYISO also sponsors a defined postretirement benefit medical plan for retired employees and their dependents. NYISO records annual amounts relating to its pension and postretirement plans based on calculations that incorporate various actuarial and related assumptions, including discount rates, mortality, assumed rates of return, turnover rates, and healthcare costs and trend rates. These actuarial and related assumptions are reviewed on an annual basis and modifications are made to the assumptions based on current rates and trends. The effect of modifications made to those assumptions are reasonable based on actual experience and market conditions.

The net periodic costs are recognized as employees render the services necessary to earn the pension and postretirement benefits. Unamortized amounts expected to be recognized in rates in future years are recorded as a regulatory asset or liability.

(o) Concentration of Credit Risk

Financial instruments that subject NYISO to credit risk consist primarily of market settlement invoices and Rate Schedule 1 revenue due from market participants. As provided in the OATT and Services Tariff, NYISO reviews the creditworthiness of market participants, who are required to either maintain certain financial statement criteria and/or approved credit ratings, to post with NYISO, specified financial security in an amount sufficient to cover their outstanding liability to NYISO, or to prepay their obligations in advance of settlement billing dates.

NYISO's tariffs establish specific periods for the adjustment of settlement invoices and for market participant challenges to amounts billed for a particular service period. The first settlement invoice issued for a given month occurs on the fifth business day of the following month. Adjustments may occur and be included on the four-month re-settlement invoice. Market Participants have a five-month

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period from the initial invoice to review and challenge their settlements from these invoices. The NYISO posts an advisory Final Bill Close-out within two months of the review and challenge period. Market Participants then have approximately one month to review the advisory Final Bill Close-out invoice. The Final Bill Close-out invoice is issued eight months from the initial invoice service period.

As a result, NYISO is exposed to credit risk until all settlement adjustments and final invoices for each service period are finalized and liquidated. As of December 31, 2020, the adjustments and true-ups of all settlement invoices through March 2020 were completed. However, in the event of a market participant default and bad debt loss, Rate Schedule 1 of the OATT allows NYISO to recover bad debt losses from all remaining market participants on future invoices.

(p) Derivative Instruments

NYISO recognizes all derivative instruments as either assets or liabilities in the Statement of Financial Position at their respective fair value. The fair values of NYISO's derivative instruments are quoted by external sources. The changes in the fair value of these derivatives are recorded as a change in fair value of interest rate swaps in the Statement of Activities. Due to NYISO's regulated rates, any changes in fair value of these derivative instruments are recorded as either a Regulatory asset or Regulatory liability, as appropriate, and ultimately deferred for recognition due to regulatory recovery of interest costs. Payments on these derivative instruments are recorded and classified as interest expense.

NYISO uses derivative instruments to hedge the effects of fluctuations in interest rates. NYISO is exposed to credit loss in the event of nonperformance by the commercial banks under the interest rate swap agreements. The credit risk related to hedge agreements is limited to the cost to NYISO to replace the aforementioned hedge arrangements with like instruments. NYISO monitors the credit standing of the counterparties and anticipates that the counterparties will be able to fully satisfy their obligations under the hedge arrangements.

The fair value of NYISO's interest rate swaps are determined using pricing models developed based on the LIBOR swap rate and other observable market data (Level 2 inputs).

(q) Debt Issuance Costs

Debt issuance costs are included as a direct deduction to the corresponding debt liability and have been deferred. Debt issuance costs are amortized using the effective interest method over the period of the outstanding debt obligation.

(r) Reclassifications

Certain amounts within the prior year financial statements have been reclassified to conform to the current year presentation.

(s) Accounting Pronouncements Recently Adopted

In August 2018, FASB issued ASU 2018-14, *Compensation – Retirement Benefits – Defined Benefit Plans – General (Subtopic 715-20)*. The new standard changes disclosure requirements for defined

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benefit plans and post retirement plans. The NYISO adopted FASB ASU 2018-14 in 2020 and has concluded that its effect had no material impact to amounts disclosed.

(2) Accounts Receivable

NYISO's accounts receivable at December 31, 2020 and 2019 consisted of the following:

	<u>2020</u>	<u>2019</u>
Billed:		
Current-due settlement invoices	\$ 45,560,039	48,222,441
Past-due settlement invoices	25,912	726,276
Miscellaneous billed receivables	501,719	124,986
	<u>46,087,670</u>	<u>49,073,703</u>
Unbilled:		
Rate Schedule 1 revenue for December	3,166,234	1,792,774
Miscellaneous unbilled receivables	741,080	1,525,118
	<u>3,907,314</u>	<u>3,317,892</u>
Total	<u>\$ 49,994,984</u>	<u>52,391,595</u>

NYISO invoices market participants weekly for settlement charges and Rate Schedule 1 revenue. As of December 31, 2020, current-due settlement invoices represented amounts invoiced on December 30, 2020 and were collected on January 4, 2021.

Past due settlement invoices as of December 31, 2020 are expected to be recovered in 2021. Rate Schedule 1 of the OATT allows NYISO to recover bad debt losses from market participants and provides guidance on the provisions of such recoveries.

Miscellaneous billed and unbilled receivables are for planning study services provided by the NYISO in accordance with the NYISO (OATT). These revenues offset the corresponding planning study expenses, which are incurred in performing such studies.

NYISO recovers its Rate Schedule 1 revenue in the invoice following the period of service. Therefore, a portion of unbilled Rate Schedule 1 revenues for December are billed and recovered in January of the subsequent year.

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Labor, overhead, interest, consulting, and related costs incurred to acquire and develop computer software for internal use are capitalized and amortized using the straight-line method over three years. These costs are reported as work in process until the deployment of the developed software. Costs incurred prior to the determination of feasibility of developed software and following the in-service date of developed software are expensed.

NYISO capitalizes the interest cost as part of the historical cost of developing certain assets.

Long-lived assets are recorded at cost, and are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amounts of the assets may not be recoverable. Management is not aware of any events or changes in circumstances that would necessitate a review of any long-lived assets as of the years ended December 31, 2019 and 2018.

(h) Working Capital Reserve

In order to maintain the liquidity and stability of NYISO's markets, NYISO has accumulated a working capital reserve through amounts charged to market participants under the Rate Schedule 1. Any change to NYISO's working capital needs would be billed to market participants in future Rate Schedule 1 charges. Market participants are entitled to interest on their principal contributions to the working capital reserve. Each market participant is allocated interest based on the respective ratio share of each market participant's principal contributions to the total working capital reserve. Accumulated interest on the working capital reserve is distributed annually to market participants.

(i) Market Participant Prepayments

To reduce certain energy and ancillary services credit requirements, Market Participants may choose to prepay to the NYISO, in advance of settlement billing dates, their energy and ancillary services financial obligations. Moreover, certain market participants choose to make advance payments to the NYISO to be applied to future settlement invoices.

(j) Deferred Revenue

Advance payments from developers for planning studies and governance participation fees are reflected as deferred revenue.

Planning study revenue is recognized as earned when costs are incurred and billed to developers to complete such studies. Fees for participation in NYISO's governance process are billed to market participants in advance of the year for which they apply and are amortized over the related governance period. All such unamortized amounts are included in Deferred Revenue.

(k) Income Taxes

NYISO has been recognized by the Internal Revenue Service as an organization described in Internal Revenue Code (The Code) Section 501(c)(3) and is generally exempt from income taxes under Section 501(a) of the Code. During the calendar years 2019 and 2018, no material unrelated business taxable income was generated by NYISO, and therefore no disclosure is made for federal or state income taxes.

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The NYISO has determined prior to recording any benefit in the financial statements that it is more likely than not that the tax position will be sustained upon examination by the appropriate taxing authorities, as required by the Accounting for Uncertainty in Income Taxes Topic of the FASB ASC 740. A tax position is measured at the largest amount of benefit that is greater than fifty percent likely of being realized upon settlement.

(l) Fair Value

NYISO utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible. Fair value is determined based on assumptions that market participants would use in pricing an asset or liability in the principal or most advantageous market. When considering market participant assumptions in fair value measurements, the following fair value hierarchy distinguishes between the observable and unobservable inputs, which are categorized in one of the following levels:

Level 1 inputs: Unadjusted quoted prices in active markets for identical assets or liabilities that NYISO has the ability to access at the measurement date

Level 2 inputs: Other than quoted prices included within Level 1 inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the asset or liability

Level 3 inputs: Unobservable inputs for the asset or liability used to measure fair value to the extent that observable inputs are not available, thereby allowing for a situation in which there is little, if any, market activity for the asset or liability at the measurement date

The level in the fair value hierarchy within which a fair value measurement in its entirety falls is based on the lowest-level input that is available for that particular financial instrument.

NYISO's financial instruments consist primarily of cash and cash equivalents, restricted cash, marketable securities, accounts receivable, prepaid expenses, accounts payable and accrued expenses, short-term and long-term debt, and benefit plan assets such that carrying value approximates fair value. The fair value of derivative instruments and benefit plan assets is discussed in notes 7 and 8, respectively.

(m) Pension and Other Postretirement Benefit Plans

NYISO has a defined benefit pension plan covering certain employees upon their retirement. The benefits are based on years of service and employee's compensation during the five years before retirement. NYISO also sponsors a defined postretirement benefit medical plan for retired employees and their dependents. NYISO records annual amounts relating to its pension and postretirement plans based on calculations that incorporate various actuarial and related assumptions, including discount rates, mortality, assumed rates of return, compensation increases, turnover rates, and healthcare costs and trend rates. These actuarial and related assumptions are reviewed on an annual basis and modifications are made to the assumptions based on current rates and trends. The effect of modifications made to those assumptions are reasonable based on actual experience and market conditions.

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The net periodic costs are recognized as employees render the services necessary to earn the pension and postretirement benefits. Unamortized amounts that are expected to be recovered in rates in future years are recorded as a regulatory asset or liability. See note 8 for additional information.

(n) Concentration of Credit Risk

Financial instruments that subject NYISO to credit risk consist primarily of market settlement invoices and Rate Schedule 1 revenue due from market participants. As provided in the OATT and Services Tariff, NYISO reviews the creditworthiness of market participants, who are required to either maintain certain financial statement criteria and/or approved credit ratings, to post with NYISO, specified financial security in an amount sufficient to cover their outstanding liability to NYISO, or to prepay their obligations in advance of settlement billing dates.

NYISO's tariffs establish specific periods for the adjustment of settlement invoices and for market participant challenges to amounts billed for a particular service period. Settlement invoices can be adjusted for up to four months after the date of the monthly invoice issuance, and these invoices can be challenged for an additional one month after the issuance of all settlement adjustment invoices. Subsequent invoices issued during the settlement adjustment period "true up" amounts previously billed. After all true-up invoices are issued during the settlement adjustment period, market participants may challenge the amounts billed for a particular service period. If NYISO agrees with the provisions of the challenge, or there are no invoice challenges, a final invoice is issued for that service period.

As a result, NYISO is exposed to credit risk until all settlement adjustments and final invoices for each service period are finalized and liquidated. As of December 31, 2019, the adjustments and true-ups of all settlement invoices through March 2019 were completed. However, in the event of a market participant default and bad debt loss, Rate Schedule 1 of the OATT allows NYISO to recover bad debt losses from all remaining market participants on future invoices.

(o) Derivative Instruments

NYISO recognizes all derivative instruments as either assets or liabilities in the Statement of Financial Position at their respective fair value. The fair values of NYISO's derivative instruments are quoted by external sources. The changes in the fair value of these derivatives are recorded as a change in fair value of interest rate swaps in the Statement of Activities. Due to NYISO's regulated rates, any changes in fair value of these derivative instruments are recorded as either Other Current or Noncurrent Assets or Other Current or Noncurrent Liabilities, as appropriate, and ultimately deferred for recognition due to regulatory recovery of interest costs. Payments on these derivative instruments are recorded and classified as interest expense.

NYISO uses derivative instruments to hedge the effects of fluctuations in interest rates. NYISO is exposed to credit loss in the event of nonperformance by the commercial banks under the interest rate swap agreements. The credit risk related to hedge agreements is limited to the cost to NYISO to replace the aforementioned hedge arrangements with like instruments. NYISO monitors the credit standing of the counterparties and anticipates that the counterparties will be able to fully satisfy their obligations under the hedge arrangements. See note 7 for additional information.

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(p) Debt Issuance Costs

Debt issuance costs are included as a direct deduction to the corresponding debt liability and have been deferred. Debt issuance costs are amortized using the effective interest method over the life of the associated debt issuance.

(q) Accounting Pronouncements Recently Adopted

(i) Prior Year Disclosures

The accompanying financial statements and related notes have been revised to incorporate certain items related to the disclosures specific to the adoption of ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities* as of and for the year ended December 31, 2018. The primary changes include simplifying and enhancing the presentation of net assets, requiring operating expenses to be reported by both natural and functional classifications in a single location, and expanding disclosures regarding liquidity and availability of resources. As a result, unrestricted net assets are now referred to as net assets without donor restrictions in the accompanying financial statements, and disclosures were enhanced with respect to additional discussion related to the NYISO's liquidity and availability of resources in note 11, and operating expenses have been reported by both natural and functional classifications in note 12. These disclosure omissions did not result in any changes to the amounts presented in the accompanying Statements of Financial Position, Activities or Cash Flows for the year ended December 31, 2018. Management has concluded that these disclosure omissions were not material.

(ii) Current Year Disclosures

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers* (ASU 2014-09), as well as subsequent series of amendments to ASU 2014-09 that have the same effective date and transition provisions (collectively referred to as Topic 606). Topic 606 requires a company to recognize revenue when the company transfers control of promised goods and services to the customer. Revenue is recognized in an amount that reflects the consideration a company expects to receive in exchange for those goods or services.

NYISO adopted Topic 606 using the cumulative effect method for all contracts not completed as of January 1, 2019. As a result, NYISO determined there was no cumulative effect of applying the new revenue standard to record as an adjustment to the opening balance of net assets without donor restrictions as of January 1, 2019. NYISO's adoption did not change the timing or amount of revenue recognized by NYISO. Prior period amounts are not adjusted and continue to be reported in accordance with NYISO's historical accounting under ASC 605, *Revenue Recognition (Topic 605)*.

In August 2016, FASB issued ASU 2016-15, *Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments*. The new standard is intended to reduce diversity in how certain transactions are classified in the Statement of Cash Flows. The NYISO adopted FASB ASU 2016-15 in 2019 and management has concluded these disclosures have no impact to the classification of the Company's cash receipts and cash payments.

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benefit plans and post retirement plans. The NYISO adopted FASB ASU 2018-14 in 2020 and has concluded that its effect had no material impact to amounts disclosed.

(2) Accounts Receivable

NYISO's accounts receivable at December 31, 2020 and 2019 consisted of the following:

	<u>2020</u>	<u>2019</u>
Billed:		
Current-due settlement invoices	\$ 45,560,039	48,222,441
Past-due settlement invoices	25,912	726,276
Miscellaneous billed receivables	501,719	124,986
	<u>46,087,670</u>	<u>49,073,703</u>
Unbilled:		
Rate Schedule 1 revenue for December	3,166,234	1,792,774
Miscellaneous unbilled receivables	741,080	1,525,118
	<u>3,907,314</u>	<u>3,317,892</u>
Total	<u>\$ 49,994,984</u>	<u>52,391,595</u>

NYISO invoices market participants weekly for settlement charges and Rate Schedule 1 revenue. As of December 31, 2020, current-due settlement invoices represented amounts invoiced on December 30, 2020 and were collected on January 4, 2021.

Past due settlement invoices as of December 31, 2020 are expected to be recovered in 2021. Rate Schedule 1 of the OATT allows NYISO to recover bad debt losses from market participants and provides guidance on the provisions of such recoveries.

Miscellaneous billed and unbilled receivables are for planning study services provided by the NYISO in accordance with the NYISO (OATT). These revenues offset the corresponding planning study expenses, which are incurred in performing such studies.

NYISO recovers its Rate Schedule 1 revenue in the invoice following the period of service. Therefore, a portion of unbilled Rate Schedule 1 revenues for December are billed and recovered in January of the subsequent year.

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(3) Regulatory Assets and Liabilities

At December 31, 2020 and 2019, regulatory assets and liabilities consisted of the following:

	<u>2020</u>	<u>2019</u>
Regulatory assets:		
Funding for pension benefits	\$ 12,340,587	11,600,111
Funding for postretirement deferred charges	9,820,112	9,164,026
Voltage support service (reactive power) market	—	3,436,333
Derivative contracts	6,603,049	2,643,348
Rate Schedule 1 transactional volume undercollections - 2020	<u>2,101,107</u>	<u>—</u>
Total regulatory assets	30,864,855	26,843,818
Less current portion	<u>(2,161,586)</u>	<u>(3,436,333)</u>
Noncurrent regulatory assets	<u>\$ 28,703,269</u>	<u>23,407,485</u>
Regulatory liabilities		
Rate Schedule 1 underspending - 2020	\$ 5,801,201	—
Rate Schedule 1 underspending 2019	5,715,702	5,715,702
Rate Schedule 1 transactional volume overcollections - 2019	697,307	697,307
Funding for pension deferred charges	4,978,109	4,849,305
Voltage support service (reactive power) market	824,960	—
Funding for postretirement benefits	1,747,950	1,902,554
Net Financing and Capital rate timing	<u>14,585,911</u>	<u>20,068,125</u>
Total regulatory liabilities	34,351,140	33,232,993
Less current portion	<u>(13,039,170)</u>	<u>(6,413,009)</u>
Noncurrent regulatory liabilities	<u>\$ 21,311,970</u>	<u>26,819,984</u>

(a) Funding for Pension and Postretirement Benefits

The pension and postretirement funding regulatory assets and liabilities reflect the unrecognized pension and postretirement benefit costs that under GAAP for rate-regulated entities are recorded as deferred noncurrent regulatory assets or liabilities. These amounts are expected to be included in future rates.

(b) Funding for Deferred Charges

The NYISO recovers its annual employer cash contributions for both the pension and postretirement benefit plans via Rate Schedule 1. The amounts in funding for deferred charges represents the pension and postretirement benefit costs net of cash contributions.

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(c) Rate Schedule 1 Underspending

To the extent that NYISO's spending does not exceed the annual Rate Schedule 1 revenue requirement, a regulatory liability is established for the underspending amount.

(d) Rate Schedule 1 Transactional Volume Collections

NYISO recovers its costs through a surcharge assessed to market participants via Rate Schedule 1 of the OATT and Services Tariff. To the extent that transactional volumes billed under Rate Schedule 1 fall short of the amount expected when the Rate Schedule 1 surcharge is established, NYISO reflects a regulatory asset for the undercollection amounts. To the extent that transactional volumes billed under Rate Schedule 1 exceed the amount expected when the Rate Schedule 1 surcharge is established, NYISO reflects a regulatory liability for the overcollection amounts.

(e) Voltage Support Service

In order to maintain acceptable transmission voltages on the New York State transmission system, certain market participants within the New York Control Area produce or absorb voltage support service (reactive power). Payments to market participants supplying voltage support service and recoveries from other market participants are assessed via Rate Schedule 2 of the OATT and Services Tariff. Differences between the timing of recoveries and payments for voltage support service that result in undercollections or overcollections are reflected as regulatory assets or liabilities.

(f) Derivative Contracts

NYISO's Rate Schedule 1 tariff does not include the fair value of derivative contracts. Any changes in fair value of these derivative instruments are ultimately deferred for recognition due to regulatory recovery of interest costs. Future payments on these derivative instruments are recorded and classified as interest expense.

(g) Net Financing and Capital Rate Timing

NYISO's Rate Schedule 1 includes a timing mechanism for net financing obligations and capital costs incurred during the reporting period based on the revenue requirement formula in the tariffs. In connection with this rate-making mechanism these amounts are expected to be included in future rates.

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(4) Property and Equipment

As of December 31, 2020 and 2019, property and equipment consisted of the following:

	2020	2019
Software developed for internal use	\$ 223,685,311	179,495,227
Building, building improvements, and leasehold improvements	106,894,068	106,356,051
Computer hardware and software	60,871,399	70,145,403
Machinery and equipment	8,928,274	7,348,972
Land and land improvements	3,361,818	3,361,818
Furniture and fixtures	2,440,022	3,206,443
	<u>406,180,892</u>	<u>369,913,914</u>
Accumulated depreciation	<u>(303,339,640)</u>	<u>(293,359,692)</u>
Property and equipment – net	102,841,252	76,554,222
Work in progress	<u>6,887,737</u>	<u>38,616,949</u>
Total Property and equipment – net	<u>\$ 109,728,989</u>	<u>115,171,171</u>

Property and equipment includes interest of \$227,367 and \$429,528, capitalized during 2020 and 2019, respectively. Total capitalized labor for the years ended December 31, 2020 and 2019 was \$5,873,554 and \$6,627,654, respectively.

Depreciation expense for the years ended December 31, 2020 and 2019 was \$22,829,018 and \$15,311,743, respectively.

Costs represented in Work in Progress primarily include the Distributed Energy Resources Participation Model, the Customer Settlements Data Mart upgrade, and additional Operational Enhancements for the Energy Management System/Business Management System (EMS/BMS) upgrade.

(5) Revolving Credit Facility

On December 14, 2018, NYISO entered into a \$30.0 million Revolving Credit Facility with an effective date of January 1, 2019 through December 31, 2023. The proceeds from this Revolving Credit Facility are to be used for working capital purposes. Interest on borrowings under this Revolving Credit Facility is based on NYISO's option of varying rates of interest tied to either the prime rate or the London Interbank Offered Rate (LIBOR). On May 15, 2020, NYISO exercised the Accordion Feature of the Revolving Credit Facility and increased the amount to \$50.0 million. At December 31, 2020 and 2019, respectively, there were no amounts outstanding on the Revolving Credit Facility. During 2020 and 2019, \$18.6 million and \$8.6 million

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in borrowings were made under this credit agreement, respectively, at an average interest rate of 0.891% and 2.599%, respectively.

(6) Long-Term Debt

At December 31, 2020, the following amounts were outstanding on NYISO's long-term debt:

	2014-2018 Budget facility loan (i)	2019-2023 Budget facility loan (ii)	2016-2019 EMS/BMS facility loan (iii)	Mortgage (iv)	Renovations (iv)	2012 Infrastructure loan (v)	Total
Total outstanding:							
Maturities	\$ 8,443,000	43,933,257	5,588,333	4,790,392	4,381,259	28,006,847	95,143,088
Unamortized debt issuance costs	(3,957)	(92,305)	(7,913)	(5,063)	(3,375)	(124,342)	(236,955)
Total debt, net	<u>\$ 8,439,043</u>	<u>43,840,952</u>	<u>5,580,420</u>	<u>4,785,329</u>	<u>4,377,884</u>	<u>27,882,505</u>	<u>94,906,133</u>
Current portion:							
Maturities	\$ 8,443,000	17,533,297	4,390,000	919,297	614,926	2,646,316	34,546,836
Less unamortized debt issuance costs	(3,957)	(17,456)	(7,913)	(1,125)	(750)	(11,842)	(43,043)
Total current portion	<u>\$ 8,439,043</u>	<u>17,515,841</u>	<u>4,382,087</u>	<u>918,172</u>	<u>614,176</u>	<u>2,634,474</u>	<u>34,503,793</u>
Long term portion:							
Maturities	\$ —	26,399,960	1,198,333	3,871,095	3,766,333	25,360,531	60,596,252
Less unamortized debt issuance costs	—	(74,849)	—	(3,938)	(2,625)	(112,500)	(193,912)
Total long term portion	<u>\$ —</u>	<u>26,325,111</u>	<u>1,198,333</u>	<u>3,867,157</u>	<u>3,763,708</u>	<u>25,248,031</u>	<u>60,402,340</u>

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At December 31, 2019, the following amounts were outstanding on NYISO's long-term debt:

	2014–2018 Budget facility loan (i)	2019–2023 Budget facility loan (ii)	2016–2019 EMS/EMS facility loan (iii)	Mortgage (iv)	Renovations (iv)	2012 Infrastructure loan (v)	Total
Total outstanding:							
Maturities	\$ 16,886,000	26,000,000	10,949,146	5,656,525	4,959,421	30,653,164	95,104,256
Unamortized debt issuance costs	(7,914)	(93,188)	(15,827)	(6,187)	(4,125)	(136,184)	(263,425)
Total debt, net	\$ 16,878,086	25,906,812	10,933,319	5,650,338	4,955,296	30,516,980	94,840,831
Current portion:							
Maturities	\$ 8,443,000	8,666,667	5,360,813	866,134	578,162	2,646,316	26,561,092
Less unamortized debt issuance costs	(3,957)	(13,313)	(7,914)	(1,125)	(750)	(11,842)	(38,901)
Total current portion	\$ 8,439,043	8,653,354	5,352,899	865,009	577,412	2,634,474	26,522,191
Long term portion:							
Maturities	\$ 8,443,000	17,333,333	5,588,333	4,790,391	4,381,259	28,006,848	68,543,164
Less unamortized debt issuance costs	(3,957)	(79,875)	(7,913)	(5,062)	(3,375)	(124,342)	(224,524)
Total long term portion	\$ 8,439,043	17,253,458	5,580,420	4,785,329	4,377,884	27,882,506	68,318,640

- (i) On October 22, 2013, NYISO entered into an unsecured \$100.0 million line of credit facility (2014–2017 Budget Facility), the proceeds of which could be drawn between January 1, 2014 through December 31, 2017 to fund capital purchases and the development of significant projects during 2014–2017. Interest on borrowings under this facility is based on NYISO's option of varying rates of interest tied to LIBOR plus 95 basis points for borrowings, or the prime rate. Interest payments on borrowings are due monthly. On March 18, 2016, NYISO amended and restated its unsecured \$100.0 million line of credit facility to increase the unsecured amount to \$125.0 million and allow the proceeds to be drawn through December 31, 2018 (2014–2018 Budget Facility). NYISO must convert each year's annual borrowings to term loans, with principal and interest payments payable over three years.

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As of December 31, 2020 and 2019, the loan details on the 2014–2018 Budget Facility consisted of the following:

Draw year		2018
Draw amount	\$	25,329,000
Converted to term loan		January 2019
Term period		36 months
Maturity date		12/01/2021
As of 12/31/20		
Outstanding balance at fixed interest rate	\$	6,666,667
Variable interest rate		2.250%
Outstanding balance at variable interest rate	\$	1,776,333
Variable interest rate		1.105%
As of 12/31/19		
Outstanding balance at fixed interest rate	\$	13,333,333
Fixed interest rate		2.233%
Outstanding balance at variable interest rate	\$	3,552,667
Variable interest rate		2.641%

- (ii) On December 14, 2018, NYISO entered into a \$90.0 million Revolving Term Loan Credit Facility (2019–2023 Budget Facility) with an effective date of January 1, 2019 through December 31, 2023. The proceeds from this Term Loan Credit Facility are to be used for capital purchases and significant projects during 2019–2023. Interest on borrowings under this Term Loan Credit Facility is based on NYISO’s option of varying rates of interest tied to either the prime rate or LIBOR plus 67.5 basis points.

The 2019–2023 Budget Facility allows for a maximum of \$140.0 million to be drawn over the five year period, with no more than \$90.0 million outstanding at any time. Under the revolving structure, loan amortization in proceeding years restores funds availability sufficient to cover draws totaling \$140.0 million through 2023. NYISO must convert each year’s annual borrowings to term loans, with the principal and interest payments payable over three years.

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As of December 31, 2020 and 2019, the loan details on the 2019-2023 Budget Facility consisted of the following:

Draw year	2019	2020
Draw amount	\$ 26,000,000	26,600,000
Converted to term loan	January 2020	January 2021
Term period	36 months	36 months
Maturity date	12/01/2022	12/01/2023
As of 12/31/20		
Outstanding balance at fixed interest rate	\$ 15,333,333	23,000,000
Fixed interest rate	2.900%	2.900%
Outstanding balance at variable interest rate	1,999,923	3,600,000
Variable interest rate	0.830%	0.830%
As of 12/31/19		
Outstanding balance at fixed interest rate	\$ 23,000,000	—
Fixed interest rate	2.920%	N/A
Outstanding balance at variable interest rate	\$ 3,000,000	—
Variable interest rate	2.400%	N/A

- (iii) On March 18, 2016, NYISO entered into a new unsecured \$30.0 million delayed-draw term loan (EMS/BMS Facility Loan) to fund the replacement of NYISO's Energy Management and Business Management Systems (EMS/BMS). In accordance with the loan agreement, the proceeds can be drawn beginning March 18, 2016 through December 31, 2018. NYISO must convert each year's annual borrowings to term loans, with principal and interest payments payable over three years. Interest on borrowings under this facility is based on NYISO's option of varying rates of interest tied to LIBOR plus 95 basis points for borrowings, or the prime rate. Interest payments on borrowings are due monthly.

On December 12, 2018, NYISO amended its EMS/BMS Facility Loan to allow proceeds to be drawn through December 31, 2019.

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As of December 31, 2020 and 2019, the loan details on the EMS/BMS Facility Loan consisted of the following:

Draw year		2017	2018	2019
Draw amount	\$	10,100,000	9,575,000	3,595,000
Converted to term loan		January 2018	January 2019	January 2020
Term period		36 months	36 months	36 months
Maturity date		12/01/2020	12/01/2021	12/01/2022
As of 12/31/20				
Outstanding balance at fixed interest rate	\$	—	1,766,667	—
Fixed interest rate		N/A	2.070%	N/A
Outstanding balance at variable interest rate	\$	—	1,425,000	2,396,667
Variable interest rate		N/A	1.105%	1.105%
As of 12/31/19				
Outstanding balance at fixed interest rate	\$	761,251	5,005,415	—
Fixed interest rate		2.053%	2.053%	N/A
Outstanding balance at variable interest rate	\$	209,561	1,377,918	3,595,000
Variable interest rate		2.641%	2.641%	2.641%

- (iv) On July 8, 2005, NYISO entered into two financing agreements to purchase and renovate a 140,000-square foot office building in Rensselaer, NY. The first agreement is a \$14.7 million mortgage that was used to finance the building purchase (Mortgage), and the second agreement represented a \$10.0 million line of credit for renovations (Renovations Loan). Both agreements are secured by liens on the building and subsequent capitalized renovations. Interest on borrowings under both facilities is due monthly and is based on varying rates of interest tied to LIBOR plus 100 basis points.

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As of December 31, 2020 and 2019, the loan details on the Mortgage and Renovation Loans consisted of the following:

Loan	Mortgage	Renovation
Draw amount	\$ 14,708,750	10,000,000
Converted to term loan	September 2005	January 2007
Term period	20 years	20 years
Maturity date	7/01/2025	12/01/2026
As of 12/31/20		
Outstanding balance at fixed interest rate	\$ 4,790,392	4,381,259
Fixed interest rate	5.790%	5.960%
As of 12/31/19		
Outstanding balance at fixed interest rate	\$ 5,656,525	4,959,421
Fixed interest rate	5.790%	5.960%

On July 18, 2012, NYISO entered into the 2012 Infrastructure Loan to renovate its facilities in Guilderland, NY and to perform construction at its facility in Rensselaer, NY. The agreement permitted borrowings of up to \$45.0 million through July 18, 2014, at which point the full \$45.0 million was converted to a term loan. The NYISO is required to make interest only payments for up to 24 months, followed by 17 years of principal and interest payments. Interest on borrowings under the 2012 Infrastructure Loan is due monthly and is based on varying rates of interest tied to LIBOR plus 225 basis points.

As of December 31, 2020 and 2019, the loan details on the 2012 Infrastructure Loan consisted of the following:

	December 31	
	2020	2019
Outstanding balance at fixed interest rate	\$ 24,901,961	27,254,902
Fixed interest rate	4.149%	4.149%
Outstanding balance at variable interest rate	3,104,887	3,398,262
Variable interest rate	2.405%	3.941%

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At December 31, 2020, scheduled maturities of NYISO's long-term debt was as follows:

	2014-2018 Budget facility loan	2019-2023 Budget facility loan	2016-2019 EMS/BMS facility loan	Mortgage	Renovations	2012 Infrastructure loan	Total
2021	\$ 8,443,000	17,533,297	4,390,000	919,297	614,926	2,646,316	34,546,836
2022	—	17,533,293	1,198,333	974,739	653,131	2,646,316	23,005,812
2023	—	8,866,667	—	1,033,526	693,710	2,646,317	13,240,220
2024	—	—	—	1,095,574	736,412	2,646,317	4,478,303
2025	—	—	—	767,256	782,563	2,646,316	4,196,135
Thereafter	—	—	—	—	900,517	14,775,265	15,675,782
	<u>\$ 8,443,000</u>	<u>43,933,257</u>	<u>5,588,333</u>	<u>4,790,392</u>	<u>4,381,259</u>	<u>28,006,847</u>	<u>95,143,088</u>

(7) Derivatives and Hedging Activities

NYISO's derivative instruments are economic hedges used to manage its exposure related to changes in interest rates related to long-term debt. By using derivative instruments to hedge exposure to changes in interest rates, NYISO is exposed to credit and market risk. Credit risk is the failure of the counterparty to perform under the terms of the derivative contract. When the fair value of a derivative contract is positive, the counterparty owes the NYISO, which creates credit risk. When the fair value is negative, the NYISO owes the counterparty and, therefore, the NYISO is not exposed to the counterparty's credit risk in those circumstances. NYISO minimizes counterparty credit risk in derivative instruments by entering into transactions with high-quality counterparties. Market risk is the adverse effect on the value of a derivative instrument that results from a change in interest rates.

A summary of the derivative instruments notional amount, fair value, and gain (loss) are represented in the following table:

	Swap Notional amount at inception	Swap Notional amount at December 31, 2020	Swap Fair Value at December 31, 2019	Swap Fair Value at December 31, 2020	2020 Gain (loss) on fair value
Loan					
Mortgage (i)	\$ 14,708,750	4,790,391	(530,329)	(533,064)	(2,735)
Renovations (i)	10,000,000	4,381,259	(613,394)	(660,037)	(46,643)
2012 Infrastructure Loan (ii)	40,000,000	24,901,961	(319,067)	(1,774,674)	(1,455,607)
2014-2018 Budget Facility (iii)	100,000,000	6,666,667	45,419	(49,404)	(94,823)
EMS/BMS Facility Loan (iv)	15,000,000	1,766,667	26,942	(11,074)	(38,016)
2019-2023 Budget Facility (v)	115,000,000	38,333,333	(1,252,919)	(3,574,796)	(2,321,877)
Total					<u>\$ (3,959,701)</u>

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- (i) In February 2005, NYISO entered into two interest rate swap agreements with a commercial bank to fix interest rate payments on the financing of a new office building purchase. The notional amount of debt on the swap agreement for the Mortgage was \$14,708,750. NYISO pays a fixed interest rate of 5.79% on the outstanding principal amount of this financing on payments from August 2005 through August 2025.

The notional amount of debt on the swap agreement for the Renovations Loan was \$10.0 million, and NYISO pays a fixed interest rate of 5.96% on payments from January 2007 through January 2027. As of December 31, 2020 and 2019, the fair value of these interest rate swap agreements are recorded in Other Noncurrent Liabilities. For the years ended December 31, 2020 and 2019, NYISO recorded a fair value loss of \$49,378 and \$68,014, respectively, related to these two swap agreements.

- (ii) In July 2012, NYISO entered into an interest rate swap agreement with a commercial bank to fix interest rate payments on the 2012 Infrastructure Loan. The notional amount of debt on the swap agreement was \$40.0 million. NYISO pays a fixed interest rate of 4.149% through July 2031. As of December 31, 2020 and 2019, the fair value of this interest rate swap agreement is recorded in Other Noncurrent Liabilities. For the years ended December 31, 2020 and 2019, NYISO recorded a fair value loss of \$1,455,607 and \$1,390,066, respectively, related to this swap agreement.
- (iii) In October 2013, NYISO entered into four interest rate swap agreements with a commercial bank to fix interest rate payments on the 2014–2017 Budget Facility. The notional amount of the debt on the swap agreements was \$80.0 million. In May 2016, NYISO entered into a fifth interest rate swap agreement with a commercial bank to fix interest rate payments on the 2014–2018 Budget Facility. The notional amount of the debt on the swap agreement was \$20.0 million. NYISO pays fixed interest rates ranging from 1.780% to 4.076% through December 2021 on the swap agreements. As of December 31, 2020 and 2019, the fair value of these interest rate swap agreements are recorded in Other Noncurrent Liabilities and Noncurrent Assets, respectively. For the years ended December 31, 2020 and 2019, NYISO recorded a fair value loss of \$94,823 and \$230,486, respectively, related to these swap agreements.
- (iv) In October 2016, NYISO entered into an interest rate swap agreement with a commercial bank to fix interest rate payments on the EMS/BMS Facility loan. The notional amount of the debt on the swap agreement was \$15.0 million. NYISO pays a fixed interest rate of 2.07% through December 2021. As of December 31, 2020 and 2019, the fair value of this interest rate swap agreement is recorded in Other Noncurrent Liabilities and Noncurrent Assets, respectively. For the years ended December 31, 2020 and 2019, NYISO recorded a fair value loss of \$38,016 and \$143,059, respectively, related to this swap agreement.
- (v) In April 2019, NYISO entered into an interest rate swap agreement with a commercial bank to fix interest rate payments on 2019–2023 Budget Facility loan. The notional amount of the debt on the swap agreement was \$115.0 million. NYISO pays a fixed interest rates of 2.90% through December 2026. As of December 31, 2020 and 2019, the fair value of this interest rate swap agreement is recorded in Other Noncurrent Liabilities. For the years ended December 31, 2020 and

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2019 NYISO recorded a fair value loss of \$2,321,877 and \$1,252,919, respectively, related to this swap agreement.

The following table presents the carrying amounts and estimated fair values of NYISO's interest rate swaps at December 31, 2020 and 2019:

	2020		2019	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets:				
Interest rate swaps	—	—	72,361	72,361
Financial liabilities:				
Interest rate swaps	6,603,049	6,603,049	2,715,709	2,715,709

(8) Employee Benefit Plans

(a) Defined Benefit Pension and Postretirement Plans

NYISO has a defined benefit pension plan covering certain employees upon their retirement. Plan benefits are based on employee compensation levels and years of service, including service for certain employees previously employed by NYPP member companies. There were \$800,000 and \$1,000,000 in NYISO cash contributions made during 2020 and 2019, respectively, to the defined benefit pension plan. Effective December 1, 2009, NYISO adopted changes to its pension plan to end the accrual of future benefits for most employees and replaced this benefit with equivalent contributions to employee 401(k) plan accounts after December 1, 2009.

NYISO sponsors a defined benefit postretirement plan to provide medical benefits for eligible retirees and their dependents. NYISO employees who retire on or after age 55 become eligible for these benefits provided they have been credited with at least ten years of NYISO service (5 years of NYISO service for those employees hired before January 1, 2005). The benefits are contributory based upon years of service, with NYISO paying up to 50% of costs for retired employees and up to 25% for their dependents (subject to specified dollar limits). Medical coverage becomes secondary upon Medicare eligibility.

Pursuant to resolutions adopted by NYISO's Board of Directors, NYISO's Retirement Board is responsible for administration of NYISO's pension and postretirement plans, including recommending investment policy to the Board of Directors, and monitoring investment performance. The Retirement Board reports to NYISO's Board of Directors and currently consists of NYISO's Chief Financial Officer, Director of Human Resources, General Counsel, Controller and Assistant Treasurer and one Nonexecutive employee. The Retirement Board provides reports to the Commerce and Compensation Committee of the Board of Directors on at least an annual basis.

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NYISO records the overfunded or underfunded position of a defined benefit pension and postretirement plan as an asset or liability, with any unrecognized prior service costs, transition obligations, or gains/losses reported as recoverable under FASB ASC Topic 980 and recorded as a regulatory asset or liability.

For payment of benefits under the postretirement plan, as noted above, the NYISO established a Voluntary Employee Benefit Association (VEBA) trust in January 2010. The assets held in the VEBA trust reduce the accumulated postretirement benefit obligation as reported on the NYISO's Statements of Financial Position. The VEBA trust held assets of \$6,163,838 and \$5,868,289 as of December 31, 2020 and 2019, respectively. As noted in the following table, current obligations are assumed to be paid out of the trust assets, with the remaining unfunded obligation to be reflected as a noncurrent liability.

The schedules that follow show the benefit obligations, the plan assets, and the funded status as of December 31, 2020 and 2019, and the change in benefit obligations for NYISO's pension and postretirement plans for the years ended December 31, 2020 and 2019.

	Pension Plan		Postretirement Plan	
	2020	2019	2020	2019
Change in benefit obligation				
Benefit obligation -				
beginning of year	\$ 32,422,456	30,096,246	13,128,888	11,954,855
Service cost	—	—	750,026	727,256
Interest cost	757,482	1,153,818	382,511	453,130
Actuarial loss	2,393,484	3,055,946	321,041	284,346
Participant contributions	—	—	164,439	121,382
Settlements	(1,436,272)	—	—	—
Benefits paid	(895,612)	(1,883,554)	(511,778)	(412,081)
Benefit obligation -				
end of year	33,241,538	32,422,456	14,235,127	13,128,888
Change in plan assets:				
Fair value of plan assets -				
beginning of year	25,834,320	24,076,158	5,868,289	5,037,480
Actual return on plan assets	1,881,281	2,795,635	666,398	1,153,780
Employer contributions	800,000	1,000,000	—	—
Participant contributions	—	—	164,439	121,382
Settlements	(1,436,272)	—	—	—
Benefits paid	(895,612)	(1,883,554)	(511,778)	(412,081)
Expenses paid	(141,987)	(153,919)	(23,510)	(32,272)
Fair value of plan assets -				
end of year	26,041,730	25,834,320	6,163,838	5,868,289
Funded status	\$ (7,199,808)	(6,588,136)	(8,071,289)	(7,260,599)

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The NYISO has determined that the pension and post retirement net actuarial (gain) loss is probable of recovery through the Tariff and has recorded a regulatory asset related to the pension plan and a regulatory liability related to the postretirement plan as of December 31, 2020 and 2019 in the accompanying Statements of Financial Position.

Amounts recognized in the 2020 and 2019 Statements of Financial Position consist of the following:

	Pension Plan		Postretirement Plan	
	2020	2019	2020	2019
Net actuarial (gain)/loss recognized in regulatory assets (liabilities)	\$ 12,340,587	11,600,111	(1,747,950)	(1,902,554)
Projected benefit obligation	(33,241,538)	(32,422,456)	(14,235,127)	(13,128,888)
Fair value of assets	26,041,730	25,834,320	6,163,838	5,868,289
Unfunded projected benefit obligation	\$ (7,199,808)	(6,588,136)	(8,071,289)	(7,260,599)

Net periodic pension expense and postretirement benefit costs include the following components:

	Pension Plan		Postretirement Plan	
	2020	2019	2020	2019
Service cost	\$ —	—	750,026	727,256
Interest cost	757,482	1,153,818	382,511	453,130
Expected return on plan asset	(947,153)	(952,263)	(295,965)	(284,319)
Amortization of unrecognized (gain)/loss	310,155	188,963	(180,486)	(133,313)
Amortization of unrecognized prior service cost	672	1,348	—	—
Realized (gain)/loss due to settlements	550,040	—	—	—
Total	\$ 671,196	391,866	656,086	762,754

NYISO uses a December 31 measurement date for its pension and postretirement benefit plans. NYISO's accumulated benefit obligation for the defined benefit pension plan is \$33,241,538 and \$32,422,456 at December 31, 2020 and 2019, respectively.

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The following table as of December 31, 2020 and 2019 shows the assumptions used to calculate the pension and postretirement benefit obligations and net periodic cost or credit:

	Pension Plan		Postretirement Plan	
	2020	2019	2020	2019
Benefit obligations:				
Discount rate	2.00%	2.95%	2.50%	3.35%
Net periodic cost or credit:				
Discount rate	2.95%	4.05%	3.35%	4.30%
Expected return on plan assets	4.30%	4.05%	5.15%	5.75%

NYISO measured benefit obligations using the Pri-2012 mortality tables and MP-2020 mortality improvement scale in selecting mortality assumptions as of December 31, 2020.

In 2020, the assumed postretirement plan healthcare cost trend rates for participants pre-65 are 6.5% for 2021 to 2022, decreasing to 4.5% in 2029, and the participants post-65 are 5.75% for 2021 to 2022 decreasing to 4.5% in 2026. In 2019, the assumed postretirement plan healthcare cost trend rates for participants pre-65 were 7.0% for 2020 to 2021 decreasing to 4.5% in 2030, and the participants post-65 were 4.75% for 2020 to 2021 decreasing to 4.5% in 2022.

The following is a gain/loss transaction reflected in the measurement of the benefit obligation for the pension plan, as of December 31, 2020:

- The discount rate changed from 2.95% to 2.00%. This change had the impact of increasing the projected benefit obligation by approximately \$2.7 million.

The following are gains/loss transactions reflected in the measurement of the benefit obligation for the post retirement plan, as of December 31, 2020:

- The discount rate changed from 3.35% to 2.50%. This change had the impact of increasing benefit obligations by approximately \$1.9 million.
- Per capita costs reflect the new plan rates in 2020. Among these changes is a move to a single post-65 plan. This change decreased the benefit obligation by approximately \$1.4 million.

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The following benefit payments, which reflect expected future service, are expected to be paid:

	Pension plan	Postretirement plan
2021	2,380,746	318,927
2022	2,405,049	387,524
2023	2,915,071	418,510
2024	2,487,906	472,871
2025-2029	11,762,947	4,412,524

NYISO's expected rate of return on plan assets reflects anticipated returns on the pension and postretirement plans' current and future assets. To determine this rate, NYISO considers historical returns for equity and debt securities, as well as current capital market conditions and projected future conditions. The long-term investment objective for NYISO's pension plan is to maximize the total return on plan assets while limiting risk, reflected in volatility of returns, to prudent levels. To that end, NYISO's Retirement Board has appointed and regularly meets with an investment advisor to review asset performance, compliance with target asset allocation guidelines, and appropriate levels of asset diversification. NYISO's investment advisor operates under written guidelines provided by NYISO, which cover such areas as investment objectives, performance measurement, permissible investments, investment restrictions, and communication and reporting requirements.

NYISO's pension and postretirement plan investments are composed of common stocks, mutual funds and commingled trust funds that are redeemable at net asset value (NAV) on a daily basis. Redemption of such investments generally requires 1 to 2 days' notice prior to redemption.

The targeted allocation and actual investment mix of the pension plan's assets are as follows at December 31:

Asset category	2020		2019	
	Target	Actual	Target	Actual
Fixed income	70%	65%	70%	66%
International and emerging equities	15	18	15	17
Large cap equities	8	9	8	9
Mid cap equities	5	5	5	5
Small cap equities	2	3	2	3
	100%	100%	100%	100%

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The actual rate of return for the pension plan's assets as of December 31, 2020 and 2019 is as follows:

Asset category	Annual returns December 31	
	2020	2019
International and emerging equities	58.6 %	22.0 %
Large cap equities	18.4	31.4
Mid cap equities	17.9	36.2
Small cap equities	3.4	24.9
Fixed income	3.3	4.9
Total portfolio weighted average	15.8 %	11.4 %

The fair values of the pension plan assets at December 31, 2020 and 2019 are presented below:

		2020 Fair value			
		Level 1	Level 2	Level 3	Total
Domestic investments:					
Equities:					
Small cap	\$	676,153	—	—	676,153
Mid cap		1,272,434	—	—	1,272,434
Large cap		2,257,764	—	—	2,257,764
Total		4,206,351	—	—	4,206,351
Fixed income		—	17,042,699	—	17,042,699
Total		—	17,042,699	—	17,042,699
International and emerging equities					
		4,823,400	—	—	4,823,400
Total		4,823,400	—	—	4,823,400
Cash and cash equivalents		(30,721)	—	—	(30,721)
	\$	8,999,030	17,042,699	—	26,041,729

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		2019 Fair value			
		Level 1	Level 2	Level 3	Total
Domestic investments:					
Equities:					
Small cap	\$	635,661	—	—	635,661
Mid cap		1,359,117	—	—	1,359,117
Large cap		2,326,303	—	—	2,326,303
Total		4,321,081	—	—	4,321,081
Fixed income		4,353,279	12,743,273	—	17,096,552
Total		4,353,279	12,743,273	—	17,096,552
International and emerging equities					
		4,330,013	—	—	4,330,013
Total		4,330,013	—	—	4,330,013
Cash and cash equivalents		86,674	—	—	86,674
	\$	13,091,047	12,743,273	—	25,834,320

The targeted allocation and actual investment mix of the VEBA Trust (postretirement) plan's assets are as follows at December 31:

	2020		2019	
	Target	Actual	Target	Actual
Domestic equities	50%	56%	50%	56%
Fixed income	35	30	35	32
International and emerging equities	15	14	15	12
	100%	100%	100%	100%

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The actual rate of return for the VEBA Trust (postretirement) plan's assets as of December 31, 2020 and 2019 is as follows:

Asset category	Annual returns December 31	
	2020	2019
International and emerging equities	75.8 %	19.4 %
Domestic equities	13.7	26.4
Fixed income	8.7	9.3
Total portfolio weighted average	20.9 %	19.7 %

The fair values of VEBA Trust (postretirement) plan's assets at December 31, 2020 and 2019 are presented below:

		2020 Fair value			
		Level 1	Level 2	Level 3	Total
Domestic equities	\$	1,020,376	—	—	1,020,376
Fixed income		1,828,435	—	—	1,828,435
International and emerging equities		3,255,070	—	—	3,255,070
Total		6,103,881	—	—	6,103,881
Cash and cash equivalents		53,696	—	—	53,696
	\$	6,157,577	—	—	6,157,577

		2019 Fair value			
		Level 1	Level 2	Level 3	Total
Domestic equities	\$	1,159,414	—	—	1,159,414
Fixed income		1,830,080	—	—	1,830,080
International and emerging equities		2,764,404	—	—	2,764,404
Total		5,753,898	—	—	5,753,898
Cash and cash equivalents		114,390	—	—	114,390
	\$	5,868,288	—	—	5,868,288

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(b) 401(k) Plan

NYISO has a 401(k) Retirement and Savings Plan open to all non-temporary employees. This plan provides for employee contributions up to specified limits. NYISO matches 100% of the first 3% of employee contributions, and 50% of the next 2% of employee contributions. Beginning December 1, 2009, NYISO also contributes funds to employee 401(k) plan accounts equivalent to defined benefit accruals formerly earned in the pension plan.

Employees are immediately vested in NYISO's matching contributions and become vested in other employer contributions after three years of credited service. The total NYISO contributions to the 401(k) plan were \$7,180,034 and \$6,594,198 for 2020 and 2019, respectively.

(c) Long-Term Incentive Plan

NYISO's Long-Term Incentive Plan provides certain members of senior management with deferred compensation benefits. Benefits are based upon the achievement of three-year performance goals established by the Board of Directors, with participants becoming fully vested and distributions payable for these deferred amounts after the completion of the audited financial statements for the third year. Benefits are paid out in equal installments over three years following the end of the three-year cycle. Accrued Long-Term Incentive Plan benefits included in Other Noncurrent Liabilities at December 31, 2020 and 2019 were \$4,066,567 and \$3,545,451, respectively. The short-term portion of such liability, included in Other Current Liabilities, at December 31, 2020 and 2019, was \$1,649,619 and \$1,649,619, respectively.

(d) 457(b) Plan – Eligible Deferred Compensation Plan

NYISO's 457(b) Plan provides for certain members of senior management to defer a portion of their current compensation and have it credited under a supplemental unfunded savings program. This Plan is intended to satisfy the requirements of an eligible deferred compensation plan maintained by NYISO as a nongovernment tax-exempt entity under Code section 457(e)(1)(B). Plan participants have the ability to invest these funds in the same investments offered by the NYISO 401(k) plan at their discretion. The investment balance at December 31, 2020 and 2019 was \$2,454,069 and \$1,834,535, respectively, recorded as marketable securities. The corresponding deferred compensation liability is recorded in Accounts Payable and Accrued Expenses.

(9) Other Commitments and Contingencies

On July 8, 2005, NYISO purchased an office building to relocate NYISO's alternate control center and to consolidate employees located in leased facilities. In connection with the purchase, management entered into a Payment in Lieu of Taxes (PILOT) Agreement with the Rensselaer County Industrial Development Agency (RCIDA) to achieve certain benefits. Under the terms of this agreement, NYISO was required to make annual payments of approximately \$195,000 for the first 10 years. Effective January 1, 2016, this PILOT Agreement was amended to add three additional parcels of land purchased in 2014 and 2015, and to extend the term of the PILOT an additional 10 years. Per the amendment, NYISO is required to make annual payments of approximately \$307,000, over the next 5 years through 2025. The agreement is cancelable at the discretion of NYISO.

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NYISO is routinely involved in regulatory actions. In the opinion of management, none of these matters will have a material adverse effect on the financial position, results of operations, or liquidity of NYISO.

(10) Deferred Revenue

Deferred revenue at December 31, 2020 and 2019 consisted of the following:

	<u>2020</u>	<u>2019</u>
Advance payments received on planning studies	\$ 26,225,569	28,913,594
Governance participation fees and other	<u>442,237</u>	<u>411,500</u>
Total	\$ <u>26,667,806</u>	<u>29,325,094</u>

(11) Liquidity and Working Capital Reserve

At December 31, 2020 and 2019, financial assets and liquidity resources available within one year for general expenditures, including operating expenses, scheduled principal payments on borrowings, and capital expenditures not financed with debt, include the cash and cash equivalents, accounts receivable and a revolving line of credit.

NYISO's cash flows have variations during the year attributable to fluctuation in RS1 recoveries. To manage liquidity, NYISO operates with a balanced budget on a cash flow basis in accordance with policies approved by the Board of Directors. In addition to the liquidity resources stated above, NYISO also has a Working Capital Reserve available to offset temporary imbalances in cash flows and to ensure liquidity and stability of the markets administered by the NYISO.

At December 31, 2020 and 2019, the working capital reserve consisted of the following:

	<u>2020</u>	<u>2019</u>
Market participant contributions through Rate Schedule 1	\$ 33,000,000	33,000,000
Interest on market participant contributions	<u>256,332</u>	<u>1,507,639</u>
Total	\$ <u>33,256,332</u>	<u>34,507,639</u>

(12) Functional Classification of Expenses

NYISO's primary mission is serve the public interest and provide benefits to consumers by maintaining and enhancing regional reliability; operating open, fair, and competitive wholesale electric markets; planning the power system for the future; and providing factual information to policy makers, stakeholders, and investors in the power system. NYISO's departments are specifically designed to support these functions. Those departmental costs are deemed directly identifiable to program services as summarized in the tables below. Other departments that are solely for supporting NYISO, such as administrative and support, are categorized as management and general as summarized in the tables below. For any department that is

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providing both program services and management and general services, an analysis was performed to allocate the costs based on estimates of the time spent supporting program services or management and general, and categorized accordingly.

Operating expenses presented by both natural and functional classifications are as follows for the years ended December 31, 2020 and 2019:

Year ended December 31, 2020			
	Program Services	Management & General	Total
Compensation and related benefits	\$ 58,699,016	36,115,485	94,814,501
Professional fees and consultants	29,916,989	1,049,082	30,966,071
Depreciation	22,829,018	—	22,829,018
Maintenance, software licenses and facility costs	19,966,360	1,942,252	21,908,612
Federal Energy Regulation Commission fees	13,946,886	—	13,946,886
Administrative and other expenses	11,022,524	7,168,207	18,190,731
Total	<u>\$ 156,380,793</u>	<u>46,275,026</u>	<u>202,655,819</u>

Year ended December 31, 2019			
	Program Services	Management & General	Total
Compensation and related benefits	\$ 50,476,420	37,673,056	88,149,476
Professional fees and consultants	23,376,904	1,258,659	24,635,563
Depreciation	15,311,743	—	15,311,743
Maintenance, software licenses and facility costs	19,639,878	2,047,397	21,687,275
Federal Energy Regulation Commission fees	13,132,000	—	13,132,000
Administrative and other expenses	11,270,486	7,832,097	19,102,583
Total	<u>\$ 133,207,431</u>	<u>48,811,209</u>	<u>182,018,640</u>

(13) Subsequent Events

NYISO considers events and transactions that occur after the balance sheet date, but before the financial statements are issued, to provide additional evidence relative to certain estimates or to identify matters that require additional disclosure. These financial statements were available to be issued on March 15, 2021 and subsequent events have been evaluated through that date.



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