

2023

Annual Report

The New York Independent System Operator



About the NYISO

The New York Independent System Operator (NYISO) is an independent, not-for-profit corporation responsible for operating the state's bulk electricity grid, administering New York's competitive wholesale electricity markets, conducting comprehensive long-term planning for the state's electric power system, and advancing the technological infrastructure of the electric system serving the Empire State. The NYISO's role in providing grid reliability and competitive markets brings economic and environmental benefits to all New Yorkers.

For more than 20 years, the NYISO's markets have worked to improve system efficiency, supporting a shift toward cleaner sources of generation while upholding the nation's most stringent reliability rules.

For more information, visit:

<http://www.nyiso.com/blog>

<http://www.nyiso.com/podcast>

twitter.com/NewYorkISO

linkedin.com/company/nyiso

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Message from Board Chair and President & CEO

As we navigate another year of great change, the New York Independent System Operator (NYISO) remains focused on our core responsibilities of maintaining electric system reliability, operating fair and competitive wholesale markets, and supporting the grid in transition.

With state policies driving ever more change on the system, it is an imperative of the NYISO that we provide clear, objective, and timely information to help all stakeholders understand and assess the implications of those policies. Our mission of ensuring power system reliability and competitive markets in a clean energy future requires that we work collaboratively to identify and resolve challenges for the benefit of all New Yorkers.

The NYISO's Comprehensive System Planning Process continues to play an essential role identifying reliability needs, informing investments in new transmission and supply resources and providing policymakers with important analysis regarding the impacts of energy and climate policy.

New York is experiencing a renaissance in transmission investment thanks to our collaborative planning processes that engage regulators and stakeholders. The transmission investments we're seeing today will improve the efficiency of the grid and expand access to clean energy supplies for decades to come. Our Public Policy Transmission Planning Process is helping more energy to flow from clean upstate suppliers to downstate customers and additional investments in the Long Island Public Policy Transmission Need (PPTN) will enable greater offshore wind integration and strengthen system reliability. The launch of the New York City PPTN process will provide end-to-end solutions to accommodate the full output of at least 4,770 megawatts of offshore wind generation injected into New York City.

Continuing to provide a reliable interconnection process for new generation projects while improving the timeliness and transparency of these important studies remains a central focus. Our new cluster study process was developed on an accelerated timeline and launched with a new technology platform and a fresh customer-focused approach to supporting proposed projects.

Our recent market design enhancements are integrating new supply technologies while supporting flexibility of the grid. The NYISO is proud to be the first market administrator in the country to allow aggregated distributed energy resources to participate in the competitive wholesale markets to provide energy, ancillary services, and capacity.

Technological advances in the grid are driving new operational considerations and requirements, and the market enhancements we're pursuing will ensure that markets continue to steer investments to where they're most needed. Further, our technology strategy will deliver capabilities that allow the NYISO to adapt to the dynamic operational requirements of managing a more complex grid. To achieve this, the NYISO is investing in technologies that provide a new level of flexibility, scalability, and security, positioning the business to keep pace with the changing needs of a grid in transition.



Our governance process continues its strong tradition of finding sound solutions and open lines of communication in an increasingly complex regulatory environment. Coupled with our financial strategy that demonstrates a long record of fiscal discipline while meeting the needs of stakeholders, NYISO customers know that they get tremendous value from our team.

Finally, we understand that the foundation of our success rests with our people. They are the front line, both individually and as teams, serving our customers and communities, building the technology, making the strategic decisions, managing the risks, determining our investments and driving innovation. As such, we are investing in our employees with programs that support skills development for success in a modern, rapidly changing economy, while also focusing on inclusion and teamwork. This focus on our people and the development of a “learning culture” is strengthening employee engagement and our ability to attract talent going forward.

Our Annual Report covers our continued efforts to support the reliability of the electric system, which provides for the health and safety of all New Yorkers. As always, we remain committed to meeting the challenges of the grid in transition, the growing state economy and the well-being of New Yorkers.

Thank you for your support and continued trust in the NYISO.

Sincerely,

Joseph P. Oates

Joseph P. Oates, Chair
NYISO Board of Directors

Richard J. Dewey

Richard J. Dewey,
President & CEO

Key Accomplishments

During the past year, the NYISO continued to maintain expected system reliability, added critical infrastructure, and worked to advance New York State policies requiring the development and reliable integration of new renewable resources and distributed energy resources. Notable accomplishments include:

- Launched a first-in-the-nation program to integrate aggregations of Distributed Energy Resources (DER) into the wholesale electric markets.
- Achieving our role as an authoritative source of information, published *Power Trends 2024*, focusing on how electrification programs and economic development initiatives are driving projected demand higher, while generator deactivations are outpacing new supply additions. Together, these forces are narrowing reliability margins across New York.
- Working with stakeholders, designed and filed interconnection process reforms required by FERC Order 2023 and implemented those reforms expeditiously on August 1, 2024.
- Released informative and critical reliability assessments to guide the grid transition including the *Quarterly Short-Term Assessments of Reliability* and the *2023-2032 Comprehensive Reliability Plan*, highlighting the growing risks to electric system reliability and necessary steps to maintain reliability.
- Released the *2023-2042 System & Resource Outlook* (The Outlook), which provides a wide-ranging assessment of future transmission and generation investment opportunities driven by economics and public policy.
- Continued efforts to advance and improve cyber security protections.
- Issued the NYC Public Policy Transmission Need solicitation and completed the Viability and Sufficiency Assessment of the 28 project proposals submitted in response to solicitation.
- Enhanced NYISO's market design for dynamic reserves and balancing intermittency and deployed improved capacity accreditation rules.
- Implemented professional development programs that prioritize inclusion, employee learning and competencies to enhance workplace culture, job satisfaction, essential skills, and alignment with the NYISO mission.

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

- Q 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

List is as of July 2024

11772244 Canada Inc.	BP Energy Company	CWP Energy Inc.
3M Company	BP Energy Retail Company, LLC	Dahlgren Energy LLC
Abest Power & Gas, LLC	Brookfield Renewable Energy Marketing US, LLC	Danskammer Energy, LLC
ABN Energy, LLC	Brookfield Renewable Trading and Marketing LP	Danske Commodities US. LLC
ACT Commodities Inc.	Broome Energy Resources, LLC	Dare US LLC
Aesir Power, LLC	Brown's Energy Services, LLC	David Energy Supply, LLC
AES Marketing and Trading, LLC	Buy Energy Direct, LLC	DC Energy LLC
Aggressive Energy, LLC	Calpine Community Energy, LLC	DC Energy New York, LLC
Agile Energy Trading, LLC	Calpine Energy Services LP	Direct Energy Business, LLC
Agway Energy Services, LLC	Calpine Energy Solutions, LLC	Direct Energy Marketing Inc.
Albany Energy LLC	Canandaigua Power Partners, LLC	Direct Energy Services, LLC
All American Power and Gas, LLC	Canastota Windpower LLC	DL Management Inc.
All Choice Energy, LLC	Carr Street Generating Station LP	DTE Energy Trading Inc.
Alpha Gas and Electric, LLC	Cassadaga Wind, LLC	Dynasty Power Inc.
Alphataraxia Nickel LLC	Castleton Commodities Merchant Trading L.P.	Dynegy Marketing and Trade, LLC (DMT)
Altop Energy Trading, LLC	Castleton Power, LLC	Eagle Creek Hydro Power, LLC
Ambit New York, LLC	CECONY-LSE	Eagle Power Authority, Inc.
American Power & Gas, LLC	Central Hudson Gas & Electric Corp	Eagles Power, LLC
American PowerNet Management, LP	Centre Lane Trading Ltd.	East Coast Power, LLC
Ameripro Energy Corp.	Champion Energy Services, LLC	EDF Trading North America, LLC
AP Gas & Electric (NY), LLC dba APG&E	Chief Energy Power, LLC	EDP Renewables North America, LLC
AP Gas & Electric (TX), LLC	Citigroup Energy Inc.	Effinex, LLC
Apollo Energy, LLC	Citizens Choice Energy, LLC dba AmeriChoice Energy	Electree, LLC
Apollo Power Inc.	City of Niagara Falls	Eligo Energy, LLC
Appian Way Energy Partners East, LLC	City Power & Gas, LLC	Eligo Energy NY, LLC
Approved Energy II LLC	CleanChoice Energy, Inc. dba Ethical Electric	Elyctra, LLC
Arkwright Summit Wind Farm LLC	Clearview Electric, Inc.	Emera Energy Services, Inc.
ASC Energy Services Inc.	Comity Inc.	Emera Energy Services Subsidiary No. 1, LLC
Astoria Energy II, LLC	Command Power Corp.	Emera Energy Services Subsidiary No. 15, LLC
Astoria Energy, LLC	ConocoPhillips Company	Emera Energy Services Subsidiary No. 2, LLC
Astoria Generating Company L.P.	Consolidated Edison Co. of New York, Inc.	Emera Energy Services Subsidiary No. 3, LLC
Atlantic Energy, LLC	Consolidated Power Co., LLC	Emera Energy U.S. Subsidiary No. 1, Inc.
ATNV Energy, LP	Constellation Energy Generation, LLC	Emera Energy U.S. Subsidiary No. 2, Inc.
Avangrid Renewables, LLC	Constellation New Energy, Inc.	Empire Generating Co, LLC
Axon Energy, LLC	County of Erie NY	Empire Natural Gas Corp.
Axpo U.S. LLC	County of Niagara NY	EMP Power, LLC
Ball Hill Wind Energy, LLC	Covanta Niagara, LP	Enel Trading North America, LLC
Barclays Services Corporation	CP Energy Marketing (US) Inc.	Enel X North America, LLC
Bayonne Energy Center, LLC	CPV Towantic, LLC	Energy Conservation and Supply, Inc.
Big Bend Trading, LLC	CPV Valley, LLC	Energy Conservation of America, Inc. dba EnCoop of NY
Bilton Wong Power, Inc.	Credit Suisse (USA), Inc.	EnergyMark, LLC
Blackout Power Trading Inc.	Cricket Valley Energy Center, LLC	Energy Plus Holdings, LLC
Black River Hydroelectric, LLC	Cubit Power One Inc.	Energy Services Providers, Inc. Dba NY Gas&Electric
Blueprint Power Technologies Inc.	Cummins Inc.	
Bluestone Wind, LLC	Curio Analytics Inc.	
Boralex Hydro Operations Inc.		
Boston Energy Group, Inc.		
Boston Energy Trading and Marketing LLC		
Bowline, LLC		

Energy Spectrum, Inc.	Indeck Energy Svs of Silver Springs	New York State Electric & Gas
Energy Technologies Savings, Inc. dba Logical Buildings	Indeck-Olean LP	Metering Authority – NextEra Energy Transmission
Enerwise Global Technologies, Inc. dba CPower	Indeck-Oswego LP	Metering Authority – Niagara Mohawk
Engelhart CTP (US) LLC	Indeck-Yerkes LP	Metering Authority – Orange and Rockland Utilities
ENGIE Energy Marketing NA, Inc.	Independence Energy Group LLC dba Cirro Energy	Metering Authority – Rochester Gas and Electric
ENGIE Power & Gas, LLC	Indus Valley Strategies LLC	MFT Energy US 1, LLC
ENGIE Resources, LLC	Inertia Power V, LLC	MFT Energy US Power, LLC
EnPowered USA Inc.	Innovative Energy Systems, Inc.	MidAmerican Energy Services, LLC
Eoch Energy, LLC	Innoventive Power LLC	Midwest Energy Trading East LLC
Erie Boulevard Hydropower LP	Inova Energy, LLC	Mirabito Power & Gas, LLC
Erie Wind, LLC	Inspire Energy Holdings, LLC	Model City Energy, LLC
ETC Endure Energy L.L.C.	International Paper Company	Modern Innovative Energy, LLC
Evergy Kansas Central, Inc.	Islip Resource Recovery Agency	Monroe County NY
Everyday Energy, LLC	J. Aron & Company LLC	Morgan Stanley Capital Group, Inc.
Family Energy Inc.	J.P. Morgan Ventures Energy Corporation	Morgan Stanley Services Group Inc.
First Choice Energy, LLC	Jamestown Board of Public Utilities	MP2 Energy LLC
First Commodities International Inc.	Jericho Rise Wind Farm LLC	MP2 Energy NE LLC
FiTran Fund LP	Just Energy Limited	MPH Rockaway Peakers, Inc
Flat Rock Windpower II LLC	Just Energy New York Corp.	MPower Energy LLC
Flat Rock Windpower LLC	Kaleida Health	Munnsville Wind Farm, LLC
Freeport Commodities LLC	Karbene Energy, LLC	Nalcor Energy Marketing Corporation
Freeport Energy Solutions LLC	Keni Energy LLC	National Gas & Electric, LLC
Freeport Electric	KFW Energy Trading, LLC	Nationwide Energy, LLC
Galt Power Inc.	Kiwi Energy NY, LLC	NDC Partners LLC
Gateway Energy Services Corporation	Leapfrog Power, Inc.	New Athens Generating Company LLC
GBE Power Inc.	Lockport Energy Assoc.	New Wave Energy Corp
GB II New York LLC	Logistic Energy LLC	New York Industrial Energy Buyers, LLC
Gen IV Investment Opportunities, LLC	Long Island Power Authority	New York Municipal Power Agency
Gravity Renewables, Inc.	LS Power Grid New York Corporation I	New York Power Authority
Great American Gas & Electric, LLC	LTSTE Investments, LLC	New York State Electric & Gas Corp.
Green Island Power Authority	M&R Energy Resources Corp.	New York Transco, LLC
Greenlight Energy Inc.	Macquarie Energy LLC	NextEra Energy Marketing, LLC
Green Mountain Energy Company	Macquarie Energy Trading LLC	NextEra Energy Services Massachusetts, LLC
Green Mountain Power Corporation	Madison Windpower, LLC	NextEra Energy Services New York, LLC
Green USA, LLC	MAG Energy Solutions Inc.	NextEra Energy Transmission New York, LLC
GRG Energy, LLC	Major Energy Electric Services, LLC	Next Utility Energy LLC
Gridmatic Nyssa, LLC	Marble River, LLC	Nexus Energy Inc.
Grid Power Direct, LLC	Marsh Hill Energy LLC	Niagara Frontier Transportation Authority
Griffiss Utility Services Corporation	Matador Power Marketing Inc.	Niagara Mohawk Power Corp.
Group628, LLC	Mayflower Power & Gas LLC	Niagara University
H.Q. Energy Services (U.S.) Inc.	Median Energy Corp.	Niagara Wind Power, LLC
Hardscrabble Wind Power LLC	Mercuria Energy America, LLC	Nine Mile Point Nuclear Station, LLC
Hartree Partners, LP	Mercuria SJAK Trading, LLC	Nissequogue Cogen Partners
Hecate Energy Albany 1, LLC	Merrill Lynch Commodities, Inc.	NOCO Electric LLC
Hecate Energy Albany 2, LLC	Messer Energy Services, Inc.	Nordic Energy Services, LLC
Homer City Generation, L.P.	Metering Authority – Central Hudson Gas and Electric	Northbrook Lyons Falls, LLC
Horizon Energy of New York, LLC	Metering Authority – Consolidated Edison of NY	North Country Data Center Corp
Howard Wind LLC	Metering Authority – Long Island Power Authority	Northeastern Power and Gas, LLC
Hudson Energy Services, LLC	Metering Authority –	
IDT Energy, Inc		
In Commodities US LLC		
Indeck-Corinth LP		

North East Offshore, LLC	RWE Clean Energy Solutions, Inc.	U.S. Energy Partners LLC
Northland Power Energy Marketing (US) Inc.	RWE Clean Energy Wholesale Services, Inc.	UGI Energy Services, LLC
NRG Business Marketing, LLC	S.J. Energy Partners, Inc.	Uncia Energy, LP - Series F
NRG Curtailment Solutions, Inc.	Saracen Energy Midwest LP	University of Rochester
NuEnerGen, LLC	Saracen Energy West LP	Unwerth LLC
Number Three Wind LLC	Saracen Power LP	Valcour Altona Windpark, LLC
Nyquist, LLC	Saranac Power Partners, L.P.	Valcour Bliss Windpark, LLC
NYTCR, LLC	SBF New York, L.L.C.	Valcour Chateaugay Windpark, LLC
OCP Resources, LLC	Schools & Municipal Energy Cooperative (SMEC)	Valcour Clinton Windpark, LLC
Octopus Energy, LLC	Scylla Energy, LLC	Valcour Ellenburg Windpark, LLC
Ontario Power Generation Energy Trading, Inc.	Second Foundation US Trading, LL	Valcour Wethersfield Windpark, LLC
Ontario Power Generation Inc.	Selkirk Cogen Partners, L.P.	Valcour Wind Energy, LLC
Open Book Energy, LLC	Seneca Energy II, LLC	VECO Power Trading, LLC
Orange & Rockland Utilities, Inc.	Seneca Power Partners, L.P.	Verde Energy USA New York, LLC
Orangeville Energy Storage LLC	SESCO Enterprises LLC	Village of Rockville Centre
ORU-LSE	Sheldon Energy LLC	Viribus Fund LP
Oswego Harbor Power LLC	Shell Energy North America (US), L.P	Viridian Energy NY, LLC
Pacific Summit Energy LLC	Siemens Industry, Inc	Viridity Energy Solutions Inc.
Palmco Power NY, LLC	SmartEnergy Holdings, LLC	Vitol Inc.
Palm Energy, LLC	SmartestEnergy US, LLC	Voltus, Inc.
Path Trading, LLC	SociVolta Inc.	Watchtower Bible and Tract Society of New York, In
Pay Less Energy, LLC	Sol Energy, LLC	WDYP Power, LLC
Peninsula Power, LLC	South Bay Energy Corp.	Weems LLC
Phoenix Energy Group, LLC	Spartan Electricity Futures, Inc.	Western New York Wind Corp.
Plant-E Corp.	Sparta Northstar Ltd.	Wheelabrator Hudson Falls, LLC
Polaris Power Services LLC	Spotlight Power LLC	Wheelabrator Westchester, L.P.
Power Up Energy, LLC	Standard Normal Energy LLC	WM Renewable Energy, LLC
Precept Power LLC	Star Light and Power LLC	World Generation X, LLC
Protor Energy, LLC	StatArb Investment LLC	XOOM Energy, LLC
PSEG Energy Resource & Trade, LLC	State of New York - OGS	XOOM Energy New York, LLC
Public Power, LLC	State of New York - OGS Municipal	ZGE New York LLC
Pure Energy Inc.	State of New York - SUNY	Ziarre Trading LLC
Pure Energy USA, LLC dba Pure Energy	State of New York - SUNY Buffalo	Zone One Energy, LLC
Quantum Power Corp.	Stephentown Spindle, LLC	
R.E. Ginna Nuclear Power Plant, LLC	Stony Creek Energy LLC	
Rainbow Energy Marketing Corp	Stream Energy New York, LLC	
RED-Rochester, LLC	SunSea Energy, LLC	
Reliant Energy Northeast, LLC dba NRG Retail Solut	Sustaining Power Solutions LLC	
Renaissance Power & Gas, Inc.	SYSO Inc.	
Rensselaer Generating LLC	TEC Energy Inc.	
Residents Energy, LLC	Tenaska Power Services Co.	
RHEI Energy Partners LP	Texas Retail Energy, LLC	
Rinar Power LLC	Think Energy, LLC	
Riverbay Corporation	Thordin ApS	
Robison Energy, LLC	Tidal Energy Marketing (U.S) L.L.C.	
Rochester Gas & Electric Corp.	Trafigura Trading LLC	
Roctop Investments Inc.	TrailStone Power, LLC	
Rodan Energy Solutions (USA) Inc.	TransAlta Energy Marketing (U.S.) Inc.	
Roseton Generating LLC	Transgrid Midwest LLC	
RWE Renewables QSE, LLC	Triolith Energy Fund, LP	
	Tyr Energy, LLC	

Corporate Governance

Board of Directors

Joseph P. Oates

Former Chairman of Con Edison Clean Energy Businesses, and a former Chairman, President, and CEO of Con Edison Transmission

David R. Hill

Former Executive Vice President and General Counsel for NRG Energy and 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

Gizman Abbas

Founder of Direct Investment Development and a founding Partner of Twenty First Century Utilities

Michael A. Crowe

Former Chief Information Officer for the Colgate-Palmolive Company, Co-Chair of the Digital Supply Chain Institute

Daniel C. Hill

Former Senior Vice President and Chief Information Officer Exelon Corporation

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

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

Sally A. Talberg

Former Commissioner on the Michigan Public Service Commission, former unaffiliated Board Member of ERCOT and Michigan's Interagency Environmental Justice Task Force

Richard J. Dewey

President and CEO of the New York Independent System Operator

Corporate Officers

Richard J. Dewey

President &
Chief Executive Officer

Emilie Nelson

Executive Vice President &
Chief Operating Officer

Robert E. Fernandez

Executive Vice President,
General Counsel &
Chief Compliance Officer

Diane L. Egan

Corporate Secretary &
Board Secretary

Douglas L. Chapman

Senior Vice President &
Chief Information Officer

Shaun Johnson

Vice President,
Market Structures

Zachary G. Smith

Senior Vice President, System &
Resource Planning

Cheryl L. Hussey

Vice President &
Chief Financial Officer

Kevin Lanahan

Vice President, External Affairs &
Corporate Communications

Aaron Markham

Vice President,
Operations

Robb A. Pike

Vice President,
Market Operations

Deneen Byrne

Vice President,
Human Resources

2023 Financial Statements

Independent Auditors' Report

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

Opinion

We have audited the financial statements of The New York Independent System Operator, Inc. (the Company), which comprise the statements of financial position as of December 31, 2023 and 2022, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2023 and 2022, and the results of its operations and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with U.S. generally accepted accounting principles, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

KPMG LLP

Albany, New York
March 15, 2024

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

Statements of Financial Position

December 31, 2023 and 2022

Assets	2023	2022
Current assets:		
Cash and cash equivalents	\$ 43,189,191	49,956,914
Restricted cash	542,205,772	686,855,825
Marketable securities (note 8)	3,853,797	2,931,463
Accounts receivable – net (note 2)	10,030,855	8,583,243
Prepaid expenses	7,683,914	9,239,204
Regulatory assets (note 3)	11,095,196	—
Other current assets	176,570	58,140
Total current assets	<u>618,235,295</u>	<u>757,624,789</u>
Noncurrent assets:		
Regulatory assets (note 3)	20,357,399	20,425,968
Property and equipment – net (note 4)	91,333,381	95,320,827
Other noncurrent assets (note 7)	3,026,964	3,807,413
Total noncurrent assets	<u>114,717,744</u>	<u>119,554,208</u>
Total	<u>\$ 732,953,039</u>	<u>877,178,997</u>
Liabilities		
Current liabilities:		
Accounts payable and accrued expenses	\$ 36,774,221	31,279,698
Market participant settlements	94,536,439	224,311,116
Market participant security deposits	342,531,160	376,070,994
Market participant prepayments	11,178,616	22,798,734
Working capital reserve (note 11)	38,357,424	35,512,840
Long-term debt – current portion (note 6)	25,584,525	27,508,965
Regulatory liabilities – current portion (note 3)	11,341,625	14,035,098
Deferred revenue (note 10)	76,153,306	46,003,096
Other current liabilities (note 8)	3,117,749	3,046,209
Total current liabilities	<u>639,575,065</u>	<u>780,566,750</u>
Noncurrent liabilities:		
Accrued pension liability (note 8)	2,497,281	1,888,710
Accrued postretirement liability (note 8)	5,177,407	4,501,960
Regulatory liabilities (note 3)	32,155,655	30,101,620
Other noncurrent liabilities (notes 7 and 8)	5,229,762	5,217,563
Long-term debt (note 6)	48,317,869	54,902,394
Total noncurrent liabilities	<u>93,377,974</u>	<u>96,612,247</u>
Total liabilities	<u>732,953,039</u>	<u>877,178,997</u>
Net assets without donor restrictions	<u>—</u>	<u>—</u>
Total liabilities and net assets	<u>\$ 732,953,039</u>	<u>877,178,997</u>

See accompanying notes to financial statements

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

Statements of Activities

Years ended December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Revenues:		
Rate Schedule 1 Budgeted tariff charge	\$ 190,077,100	169,187,350
Regulatory Adjustments to Rate Schedule 1 budget charge	(13,695,689)	(6,919,849)
Application of Overcollections	<u>13,001,798</u>	<u>10,747,323</u>
Rate Schedule 1 tariff charge, net	189,383,209	173,014,824
Federal Energy Regulatory Commission fees recovery	17,362,770	15,120,369
Planning studies revenue	17,451,924	15,952,803
Fees and services	1,615,727	1,177,866
Interest income	<u>5,781,488</u>	<u>1,581,146</u>
Total revenues	<u>231,595,118</u>	<u>206,847,008</u>
Operating expenses:		
Compensation and related benefits (note 8)	116,555,255	99,707,955
Depreciation (note 4)	17,728,494	25,580,943
Professional fees and consultants	34,984,583	31,737,418
Maintenance, software licenses and facility costs	28,180,056	26,342,468
Federal Energy Regulatory Commission fees	17,362,770	15,120,369
Administrative and other expenses	4,768,954	4,517,019
Insurance expense	3,650,969	3,415,906
Interest expense	3,333,701	2,826,689
Telecommunication expenses	2,903,369	2,746,684
Training, travel, and meeting expenses	1,324,780	838,638
Northeast Power Coordinating Council fees	196,832	157,909
Change in fair value of marketable securities	(540,797)	533,941
Change in fair value of interest rate swaps (note 7)	<u>1,146,152</u>	<u>(6,678,931)</u>
Total operating expenses	<u>231,595,118</u>	<u>206,847,008</u>
Change in net assets without donor restrictions	—	—
Net assets without donor restrictions, beginning of year	<u>—</u>	<u>—</u>
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, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Cash flows from 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	17,728,494	25,580,943
Amortization of debt issuance costs	31,254	31,254
Change in fair value of interest rate swaps	1,146,152	(6,678,931)
Change in fair value of marketable securities	(540,797)	533,941
Change in operating assets and liabilities that provide (use) cash:		
Accounts receivable	(1,447,612)	(3,519,145)
Market participant settlements	(129,774,677)	99,621,889
Deferred revenue and other liabilities	30,270,023	7,308,515
Market participant prepayments	(11,620,118)	2,014,500
Regulatory liabilities	(639,438)	2,448,525
Regulatory assets	(11,026,627)	3,904,558
Accounts payable and accrued expenses	8,030,046	3,428,432
Prepaid expenses and other assets	1,035,083	(4,085,625)
Working capital reserve	2,844,584	2,478,289
Marketable securities	(381,537)	(374,951)
Pension and postretirement liabilities	1,284,018	(6,206,868)
Market participant security deposits	(33,539,834)	137,989,727
Net cash (used in) provided by operating activities	<u>(126,600,986)</u>	<u>264,475,053</u>
Cash flows from investing activities:		
Acquisition of property and equipment (including capitalized interest)	<u>(16,276,571)</u>	<u>(19,324,020)</u>
Net cash investing activities	<u>(16,276,571)</u>	<u>(19,324,020)</u>
Cash flows from financing activities:		
Proceeds from revolving credit facility loan	14,900,000	10,000,000
Repayment of revolving credit facility loan	(14,900,000)	(10,000,000)
Proceeds from 2020 – 2024 budget facility loan	27,000,000	32,000,000
Repayment of 2020 – 2024 budget facility loan	(31,166,667)	(24,033,333)
Repayment of 2013 Infrastructure Loan	(2,646,317)	(2,646,316)
Repayment of Mortgage and Renovations loans	<u>(1,727,235)</u>	<u>(1,627,871)</u>
Net cash (used in) provided by financing activities	<u>(8,540,219)</u>	<u>3,692,480</u>
Net (decrease) increase in cash, cash equivalents and restricted cash	<u>(151,417,776)</u>	<u>248,843,513</u>
Cash, cash equivalents and restricted cash – beginning of year	<u>736,812,739</u>	<u>487,969,226</u>
Cash, cash equivalents and restricted cash – end of year	\$ <u>585,394,963</u>	\$ <u>736,812,739</u>
Supplemental disclosure of cash flow information – cash paid during the year for interest, net of capitalized interest	\$ 3,350,045	2,811,323
Noncash investing activities:		
Property and equipment additions which were accrued but not paid	\$ 255,174	2,790,697
Property and equipment additions previously accrued which were paid	2,790,697	319,957

See accompanying notes to financial statements.

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

Notes to Financial Statements

December 31, 2023 and 2022

(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. The NYISO operates under tariffs and agreements regulated by the Federal Energy Regulatory Commission (FERC). NYISO monitors a network of 11,000 circuit miles of high-voltage transmission lines and serves approximately 400 market participants.

NYISO, in collaboration with its stakeholders, serves the public interest and provides 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) 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.

(c) 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

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

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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.

(d) 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 acts solely 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.

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 605, *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.

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

Notes to Financial Statements

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(e) 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, 2023 and 2022 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.

(f) 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.

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

	2023	2022
Cash and cash equivalents	\$ 43,189,191	49,956,914
Restricted cash	<u>542,205,772</u>	<u>686,855,825</u>
Cash, cash equivalents and restricted cash end of year	<u>\$ 585,394,963</u>	<u>736,812,739</u>

(g) 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.

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.

**NEW YORK INDEPENDENT
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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, 2023 and 2022.

(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. Market participant prepayments are presented within restricted cash and current liabilities on the accompanying Statements of Financial Position.

(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 2023 and 2022, no material unrelated business taxable income was generated by NYISO, and therefore no disclosure is made for federal or state income taxes.

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.

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(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: Quoted or published 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.

Level 2: Pricing inputs from other than Level 1 that are observable, either directly or indirectly, such as quoted or published prices for similar assets; quoted or published 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.

(m) Pension and Other Postretirement Benefit Plans

NYISO has a defined benefit pension plan covering certain employees upon their retirement. 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 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.

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The net periodic costs are recognized with respect to participants eligible for benefits in the pension and postretirement plans. Unamortized amounts expected to be recognized in rates in future years are recorded as a regulatory asset or liability.

(n) Concentrations

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 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, 2023, the adjustments and true-ups of all settlement invoices through March 2023 were completed. 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.

The NYISO's top 10 Market Participants represented approximately 63.7% or \$116.1M and 63.5% or \$112.2M of Rate Schedule 1 revenues for the years ended December 31, 2023 and 2022, respectively. The NYISO's top 10 Market Participants with unbilled receivable balances represented approximately 64.2% or \$3.0M and 62.8% or \$2.5M as of December 31, 2023 and 2022, respectively.

(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 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.

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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 Secured Overnight Financing Rate (SOFR) swap rate and other observable market data (Level 2 inputs).

(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 period of the outstanding debt obligation.

(q) Leases

NYISO determines whether an arrangement is a lease at the inception of the arrangement based on the terms and conditions in the contract. A contract contains a lease if there is an identified asset and NYISO has the right to control the asset.

ASU Topic 842 was adopted in 2022 and provides a practical expedient for lessees as it relates to separating lease components from non-lease components. NYISO elected to use this approach with its adoption of Topic 842. In the Statements of Activities, lease expense for operating lease payments is recognized on a straight-line basis over the lease term.

(2) Accounts Receivable

NYISO's accounts receivable at December 31, 2023 and 2022 consisted of the following:

	<u>2023</u>	<u>2022</u>
Billed:		
Miscellaneous billed receivables	\$ 551,876	681,867
	<u>551,876</u>	<u>681,867</u>
Unbilled:		
Rate Schedule 1 revenue for December	4,991,047	4,338,013
Miscellaneous unbilled receivables	4,487,932	3,563,362
	<u>9,478,979</u>	<u>7,901,375</u>
Total	\$ <u>10,030,855</u>	<u>8,583,243</u>

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

Notes to Financial Statements

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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.

(3) Regulatory Assets and Liabilities

At December 31, 2023 and 2022, regulatory assets and liabilities consisted of the following:

	<u>2023</u>	<u>2022</u>
Regulatory assets:		
Funding for postretirement deferred charges	\$ 11,197,326	11,009,617
Funding for pension benefits	9,160,073	9,416,351
Rate Schedule 1 transactional volumes under collections	7,642,125	—
Voltage support service (reactive power) market	3,453,071	—
Total regulatory assets	31,452,595	20,425,968
Less current portion	(11,095,196)	—
Noncurrent regulatory assets	<u>\$ 20,357,399</u>	<u>20,425,968</u>
Regulatory liabilities		
Net financing and capital rate timing	\$ 17,297,972	12,745,198
Rate Schedule 1 underspending	11,341,625	5,613,872
Funding for pension deferred charges	6,500,122	7,364,971
Funding for postretirement benefits	6,019,919	6,507,657
Derivative contracts	2,337,642	3,483,794
Rate Schedule 1 transactional volume overcollections	—	7,387,926
Voltage support service (reactive power) market	—	1,033,300
Total regulatory liabilities	43,497,280	44,136,718
Less current portion	(11,341,625)	(14,035,098)
Noncurrent regulatory liabilities	<u>\$ 32,155,655</u>	<u>30,101,620</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.

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(b) Funding for Deferred Charges

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.

(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, 2023 and 2022, property and equipment consisted of the following:

	<u>2023</u>	<u>2022</u>
Software developed for internal use	\$ 256,657,011	232,154,606
Building, building improvements, and leasehold improvements	115,144,339	107,292,278
Computer hardware and software	63,983,601	61,992,564
Machinery and equipment	8,757,943	8,436,876
Land and land improvements	3,361,818	3,361,818
Furniture and fixtures	<u>2,333,594</u>	<u>2,440,022</u>
	450,238,306	415,678,164
Accumulated depreciation	<u>(363,029,322)</u>	<u>(347,244,335)</u>
Property and equipment, net	87,208,984	68,433,829
Work in progress	<u>4,124,397</u>	<u>26,886,998</u>
Total property and equipment, net	<u>\$ 91,333,381</u>	<u>95,320,827</u>

Property and equipment includes interest of \$116,294 and \$150,534 capitalized during 2023 and 2022, respectively. Total capitalized labor for the years ended December 31, 2023 and 2022 was \$5,238,043 and \$6,886,850 respectively.

Depreciation expense for the years ended December 31, 2023 and 2022 was \$17,728,494 and \$25,580,943 respectively.

Costs represented in Work in Progress primarily include the hardware and network upgrade projects and Building Management System replacement project.

(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 SOFR. 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, 2023 and 2022, there were no amounts outstanding on the Revolving Credit Facility. During 2023 \$14.9 million in borrowings were made under the Revolving Credit Facility, at an average interest rate of 5.969%. During 2022 \$10.0 million in borrowings were made under the Revolving Credit Facility, at an average interest rate of 2.495%.

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On December 31, 2023, NYISO entered into a \$50.0 million Revolving Line of Credit Facility with an effective date of January 1, 2024 through December 31, 2028. The proceeds from this Revolving Line of Credit Facility are to be used for working capital purposes. Interest on borrowings under this Revolving Line of Credit Facility is based on NYISO's option of varying rates of interest tied to either the prime rate or the SOFR.

(6) Long-Term Debt

At December 31, 2023, the following amounts were outstanding on NYISO's long-term debt:

	2019-2023 Budget facility loan (i)	Mortgage (ii)	Renovations (ii)	2012 Infrastructure loan (iii)	Total
Total outstanding:					
Maturities	\$ 49,800,000	1,862,830	2,419,491	19,953,088	74,035,409
Less unamortized debt issuance costs	<u>(39,937)</u>	<u>(1,794)</u>	<u>(2,468)</u>	<u>(88,816)</u>	<u>(133,015)</u>
Total debt, net	<u>\$ 49,760,063</u>	<u>1,861,036</u>	<u>2,417,023</u>	<u>19,864,272</u>	<u>73,902,394</u>
Current portion:					
Maturities	\$ 21,133,333	1,095,574	736,412	2,646,316	25,611,635
Less unamortized debt issuance costs	<u>(13,312)</u>	<u>(1,133)</u>	<u>(823)</u>	<u>(11,842)</u>	<u>(27,110)</u>
Total current portion	<u>\$ 21,120,021</u>	<u>1,094,441</u>	<u>735,589</u>	<u>2,634,474</u>	<u>25,584,525</u>
Long term portion:					
Maturities	\$ 28,666,667	767,256	1,683,079	17,306,772	48,423,774
Less unamortized debt issuance costs	<u>(26,625)</u>	<u>(661)</u>	<u>(1,645)</u>	<u>(76,974)</u>	<u>(105,905)</u>
Total long term portion	<u>\$ 28,640,042</u>	<u>766,595</u>	<u>1,681,434</u>	<u>17,229,798</u>	<u>48,317,869</u>

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At December 31, 2022, the following amounts were outstanding on NYISO's long-term debt:

	2019-2023 Budget facility loan (i)	Mortgage (ii)	Renovations (ii)	2012 Infrastructure loan (iii)	Total
Total outstanding:					
Maturities	\$ 53,966,667	2,896,355	3,113,201	22,599,405	82,575,628
Less unamortized debt issuance costs	(57,393)	(2,928)	(3,290)	(100,658)	(164,269)
Total debt, net	<u>\$ 53,909,274</u>	<u>2,893,427</u>	<u>3,109,911</u>	<u>22,498,747</u>	<u>82,411,359</u>
Current portion:					
Maturities	\$ 23,166,667	1,033,525	693,710	2,646,316	27,540,218
Less unamortized debt issuance costs	(17,455)	(1,133)	(823)	(11,842)	(31,253)
Total current portion	<u>\$ 23,149,212</u>	<u>1,032,392</u>	<u>692,887</u>	<u>2,634,474</u>	<u>27,508,965</u>
Long term portion:					
Maturities	\$ 30,800,000	1,862,830	2,419,491	19,953,089	55,035,410
Less unamortized debt issuance costs	(39,938)	(1,795)	(2,467)	(88,816)	(133,016)
Total long term portion	<u>\$ 30,760,062</u>	<u>1,861,035</u>	<u>2,417,024</u>	<u>19,864,273</u>	<u>54,902,394</u>

- (i) 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 was based on NYISO's option of varying rates of interest tied to either the prime rate or SOFR 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.

On December 31, 2023 NYISO entered into a \$100.0 million Revolving Term Loan Credit Facility with an effective date of January 1, 2024 through December 31, 2028. The proceeds from this Term Loan Facility are to be used for capital purchases and significant projects during 2024 -2028. Interest on borrowings under this Term Loan Facility is based on NYISO's option of varying rates of interest tied to either the prime rate or the SOFR.

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As of December 31, 2023 and 2022, the loan details on the 2020-2023 Budget Facility consisted of the follows:

Draw year	2020	2021	2022	2023
Draw amount	\$ 26,600,000	\$ 28,400,000	\$ 32,000,000	\$ 27,000,000
Converted to term loan	January 2021	January 2022	January 2023	January 2024
Term period	36 months	36 months	36 months	36 months
Maturity date	12/1/2023	12/1/2024	12/1/2025	12/1/2026
As of 12/31/23				
Outstanding balance at fixed interest rate	\$ —	\$ 1,354,752	\$ 19,705,489	\$ 24,939,759
Fixed interest rate	N/A	2.900%	2.900%	2.900%
Outstanding balance at variable interest rate	\$ —	\$ 111,914	\$ 1,627,845	\$ 2,060,241
Variable interest rate	N/A	6.132%	6.132%	6.057%
As of 12/31/22				
Outstanding balance at fixed interest rate	\$ 2,585,547	\$ 16,138,357	\$ 27,276,096	\$ —
Fixed interest rate	2.900%	2.900%	2.900%	N/A
Outstanding balance at variable interest rate	\$ 447,787	\$ 2,794,976	\$ 4,723,904	\$ —
Variable interest rate	4.913%	4.913%	4.913%	N/A

- (ii) 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 to finance the building purchase (Mortgage), and the second agreement represents a \$10.0 million line of credit for renovations during an 18-month period, beginning in July 2005 (Renovations Loan). Both agreements were secured by liens on the building and subsequent capitalized renovations. Interest on borrowings under both facilities is due monthly and was based on varying rates of interest tied to LIBOR plus 100 basis points.

Effective November 1, 2021, NYISO refinanced these two financing agreements. The first refinanced agreement was a \$4.0 million mortgage for the building purchase (Mortgage), and the second agreement represents a \$3.9 million loan for renovations (Renovations Loan). The liens related to the original agreements were released upon refinancing. Interest on borrowings under both facilities is due monthly and was based on varying rates of interest tied to LIBOR plus 67.5 basis points.

Effective March 17, 2023, these two financing arrangements were amended, replacing the use of LIBOR with SOFR as the benchmark index for the Mortgage and Renovation Loans.

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As of December 31, 2023 and 2022, the loan details on the Mortgage and Renovation Loans consisted of the following:

Loan	Mortgage	Renovation
Draw amount	\$ 4,027,498	3,871,294
Converted to term loan	November 2021	November 2021
Term period	3 Years 9 Months	5 Years 2 Months
Maturity date	8/1/2025	1/1/2027
As of 12/31/23		
Outstanding balance at fixed interest rate	\$ 1,862,830	2,419,491
Fixed interest rate	5.465%	5.635%
As of 12/31/22		
Outstanding balance at fixed interest rate	\$ 2,896,355	3,113,201
Fixed interest rate	5.465%	5.635%

- (iii) 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 was based on varying rates of interest tied to LIBOR plus 225 basis points.

On January 31, 2022, the 2012 Infrastructure Loan was refinanced to modify the interest rate spread from 225 basis points to 175 basis points.

On April 17, 2023 the 2012 Infrastructure Loan was amended, replacing the use of LIBOR with SOFR as the benchmark index for the Loan.

As of December 31, 2023 and 2022, the loan details on the 2012 Infrastructure Loan consisted of the following:

	December 31	
	2023	2022
Outstanding balance at fixed interest rate	\$ 17,843,137	20,196,079
Fixed interest rate	3.649%	3.649%
Outstanding balance at variable interest rate	2,109,951	2,403,326
Variable interest rate	7.110%	5.870%

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At December 31, 2023, scheduled maturities of NYISO's long-term debt was as follows:

	2019–2023 Budget facility loan	Mortgage	Renovations	2012 Infrastructure loan	Total
2024	21,133,333	1,095,574	736,412	2,646,316	25,611,635
2025	19,666,667	767,256	782,563	2,646,316	23,862,802
2026	9,000,000	—	831,183	2,646,316	12,477,499
2027	—	—	69,333	2,646,316	2,715,649
Thereafter	—	—	—	9,367,824	9,367,824
	<u>\$ 49,800,000</u>	<u>1,862,830</u>	<u>2,419,491</u>	<u>19,953,088</u>	<u>74,035,409</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:

Loan:	Swap Notional amount at inception	Swap Notional amount at December 31, 2023	Swap Fair Value at December 31, 2022	Swap Fair Value at December 31, 2023	2023 Gain (loss) on fair value
2019-2023 Budget Facility (iii)	\$ 115,000,000	46,000,000	1,999,728	1,316,774	(682,954)
2012 Infrastructure Loan (ii)	40,000,000	17,843,137	1,548,009	1,048,384	(499,625)
Mortgage (i)	4,027,498	1,862,829	(13,053)	353	13,406
Renovations (i)	3,871,294	2,419,491	(50,890)	(27,869)	23,021
Total					<u>\$ (1,146,152)</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 paid a fixed interest rate of 5.79% on the outstanding principal amount of this financing on payments from August 2005 through October 2021. The notional amount of debt on the swap agreement for the Renovations Loan was \$10,000,000, and NYISO paid a fixed interest rate of 5.96% on payments from January 2007 through October 2021.

In 2021, the NYISO refinanced the Mortgage and Renovation loans. The notional amount of debt on the swap agreement for the Mortgage was \$4,027,498. NYISO pays a fixed interest rate of 5.465% on the outstanding principal amount of this financing on payments from November 2021 through August 2025. The notional amount of debt on the swap agreement for the Renovations Loan was \$3,871,294, and NYISO pays a fixed interest rate of 5.635% on payments from November 2021 through January 2027.

On April 4, 2023 the Mortgage and Renovations loans interest rate swap agreements were amended, replacing the use of LIBOR with SOFR as the benchmark index for the Loan.

As of December 31, 2023 and 2022, the fair value of these interest rate swap agreements was \$353 and \$(13,053) for the Mortgage and \$(27,869) and \$(50,890) for the Renovations Loan, respectively, recorded in either Other Noncurrent Assets or Other Noncurrent Liabilities. For the years ended December 31, 2023 and 2022 NYISO recorded a fair value gain of \$36,427 and \$669,094, respectively, related to these 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 agreements was \$40,000,000. NYISO paid a fixed interest rate of 4.149% through January 2022. In January 2022, the agreement was amended and the NYISO pays a fixed interest rate of 3.649% from February 2022 through July 2031.

On April 27, 2023 the 2012 Infrastructure Loan interest rate swap agreement was amended, replacing the use of LIBOR with SOFR as the benchmark index for the Loan.

As of December 31, 2023 and 2022, the fair value of this interest rate swap agreement was \$1,048,384 and \$1,548,009, respectively, recorded in Other Noncurrent Assets. For the years ended December 31, 2023 and 2022, NYISO recorded a fair value (loss)/gain of \$(499,625) and \$2,263,390, respectively, related to this swap agreement.

- (iii) In April 2019, NYISO entered into an interest rate swap agreement with a commercial bank to fix interest rate payments on the 2019 -2023 Budget Facility loan. The notional amount of the debt on the swap agreement was \$115.0 million. NYISO pays a fixed interest rate of 2.9% through December 2026.

On February 20, 2023 the 2019 - 2023 Budget Facility interest rate swap agreement was amended, replacing the use of LIBOR with SOFR as the benchmark index for the Loan.

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As of December 31, 2023 and 2022, the fair value of this interest rate swap agreement was \$1,316,774 and \$1,999,728, respectively, recorded in Other Noncurrent Assets. For the years ended December 31, 2023 and 2022 NYISO recorded a fair value (loss)/gain of \$(682,954) and \$3,746,447, 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, 2023 and 2022:

	2023		2022	
	Carrying amount	Fair Value	Carrying amount	Fair Value
Financial assets:				
Interest rate swaps	2,365,511	2,365,511	3,547,737	3,547,737
Financial liabilities				
Interest rate swaps	27,869	27,869	63,943	63,943

(8) Employee Benefit Plans

(a) Defined Benefit Pension and Postretirement Plans

NYISO has a defined benefit pension plan covering certain employees upon their retirement. 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. There were \$0 and \$2,600,000 in NYISO cash contributions made during 2023 and 2022, respectively, to the defined benefit pension plan.

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, 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 NYISO's Statements of Financial Position. The VEBA trust held assets of \$6,164,250 and \$5,683,676 as of December 31, 2023 and 2022, 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, 2023 and 2022, and the change in benefit obligations for NYISO's pension and postretirement plans for the years ended December 31, 2023 and 2022.

	Pension Plan		Postretirement Plan	
	2023	2022	2023	2022
Change in benefit obligation:				
Benefit obligation –				
beginning of year	\$ 25,494,155	30,795,089	10,185,636	13,857,387
Service cost	—	—	508,744	755,999
Interest cost	1,246,508	759,807	505,209	385,299
Actuarial (gain)/loss	1,083,438	(4,672,016)	474,112	(4,637,020)
Participant contributions	—	—	190,721	205,077
Settlements	(1,688,597)	—	—	—
Benefits paid	(1,080,609)	(1,388,725)	(522,765)	(381,106)
	<u>25,054,895</u>	<u>25,494,155</u>	<u>11,341,657</u>	<u>10,185,636</u>
Benefit obligation –				
end of year				
Change in plan assets:				
Fair value of plan assets –				
beginning of year	23,605,445	25,107,387	5,683,676	6,947,551
Actual return on plan assets	1,859,368	(2,578,315)	826,954	(1,072,623)
Employer contributions	—	2,600,000	—	—
Participant contributions	—	—	190,721	205,077
Settlements	(1,688,597)	—	—	—
Benefits paid	(1,080,609)	(1,388,725)	(522,765)	(381,106)
Expenses paid	(137,993)	(134,902)	(14,336)	(15,223)
	<u>22,557,614</u>	<u>23,605,445</u>	<u>6,164,250</u>	<u>5,683,676</u>
Fair value of plan –				
assets – end of year				
Funded Status	\$ <u>(2,497,281)</u>	<u>(1,888,710)</u>	<u>(5,177,407)</u>	<u>(4,501,960)</u>

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NYISO has determined that the pension and postretirement 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, 2023 and 2022 in the accompanying Statements of Financial Position.

Amounts recognized in the 2023 and 2022 Statements of Financial Position consist of the following:

	Pension Plan		Postretirement Plan	
	2023	2022	2023	2022
Net actuarial (gain)/loss recognized in regulatory assets (liabilities)	\$ 9,160,073	9,416,351	(6,019,919)	(6,507,657)
Projected benefit obligation	(25,054,895)	(25,494,155)	(11,341,657)	(10,185,636)
Accumulated benefit obligation	(25,054,895)	(25,494,155)	—	—
Fair value of assets	22,557,614	23,605,445	6,164,250	5,683,676
Unfunded projected benefit obligation	\$ (2,497,281)	(1,888,710)	(5,177,407)	(4,501,960)

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

	Pension Plan		Postretirement Plan	
	2023	2022	2023	2022
Service cost	\$ —	—	508,744	755,999
Interest cost	1,246,508	759,807	505,209	385,299
Expected return on plan assets	(1,139,521)	(1,056,253)	(365,851)	(433,435)
Amortization of unrecognized (gain)/loss	150,277	298,806	(460,393)	(215,932)
Realized (gain)/loss due to settlements	607,585	—	—	—
Total	\$ 864,849	2,360	187,709	491,931

NYISO uses a December 31 measurement date for its pension and postretirement benefit plans.

During 2023, the sum of all lump-sum pension benefits paid during the year exceeded the sum of service and interest cost components, resulting in the recognition of a net settlement loss of \$607,585 in 2023. In 2022, the lump-sum pension benefits paid during the year did not exceed the sum of service and interest cost components.

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The following table as of December 31, 2023 and 2022 shows the assumptions used to calculate the pension and postretirement benefit obligations and net periodic cost or credit:

	Pension Plan		Postretirement Plan	
	2023	2022	2023	2022
Benefit obligations:				
Discount rate	4.85%	5.15%	5.00%	5.25%
Net periodic cost or credit				
Discount rate	5.15%	2.50%	5.25%	2.90%
Expected return on plan assets	4.80%	4.62%	6.61%	6.38%

NYISO measured benefit obligations using the Pri-2012 mortality tables and MP-2021 mortality improvement scale in selecting mortality assumptions as of December 31, 2023 and December 31, 2022.

In 2023, the assumed postretirement plan healthcare cost trend rates for participants pre-65 are 7.50% for 2024 to 2025 decreasing to 4.00% in 2038, and the participants post-65 are 8.00% going from 2024 to 2025 decreasing to 4.00% in 2040. In 2022, the assumed postretirement plan healthcare cost trend rates for participants pre-65 are 6.25% for 2023 to 2024 decreasing to 4.75% in 2029, and the participants post-65 are 6.75% going from 2023 to 2024 decreasing to 4.75% in 2031.

The following are gain/loss transactions reflected in the measurement of the benefit obligation for the pension plan, as of December 31, 2023:

- The discount rate changed from 5.15% to 4.85%. This change had the impact of increasing the projected benefit obligation by approximately \$0.5 million.
- Net loss due to plan experience increased the benefit obligation by approximately \$0.5 million.

The following is a gain/loss transaction reflected in the measurement of the benefit obligation for the postretirement plan, as of December 31, 2023:

- The discount rate changed from 5.25% to 5.00%. This change had the impact of increasing the benefit obligation by approximately \$0.4 million.

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

		Pension plan	Postretirement plan
2024	\$	2,882,056	368,330
2025		2,431,112	429,169
2026		2,727,572	528,481
2027		1,973,704	627,056
2028-2032		10,517,375	5,300,417

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 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 investments which utilize NAV are listed as Level 2 investments.

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

Asset category	2023		2022	
	Target	Actual	Target	Actual
Fixed income	70%	73%	70%	76%
International and emerging equities	15	13	15	11
Large cap equities	8	8	8	7
Mid cap equities	5	4	5	4
Small cap equities	2	2	2	2
	100%	100%	100%	100%

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The actual rate of return for the pension plan's assets as of December 31, 2023 and 2022 is as follows:

Asset category	Annual returns December 31	
	2023	2022
Large cap equities	25.9 %	(18.6)%
Small cap equities	14.4	(9.3)
Mid cap equities	16.8	(18.0)
International and emerging equities	14.4	(22.7)
Fixed income	5.5	(6.5)
Total portfolio weighted average	8.9 %	(9.6)%

The fair values of the pension plan assets at December 31, 2023 and 2022 are presented below:

	2023 Fair value			
	Level 1	Level 2	Level 3	Total
Domestic investments:				
Equities:				
Small cap	\$ 538,868	—	—	538,868
Mid cap	492,433	—	—	492,433
Large cap	1,702,934	—	—	1,702,934
Total	2,734,235	—	—	2,734,235
Fixed income	—	16,512,763	—	16,512,763
Total	—	16,512,763	—	16,512,763
International and emerging equities	3,368,202	—	—	3,368,202
Total	3,368,202	—	—	3,368,202
Cash and cash equivalents	(57,586)	—	—	(57,586)
	\$ 6,044,851	16,512,763	—	22,557,614

December 31, 2023 and 2022

		2022 Fair value			
		Level 1	Level 2	Level 3	Total
Domestic investments:					
Equities:					
Small cap	\$	520,992	—	—	520,992
Mid cap		865,208	—	—	865,208
Large cap		1,567,824	—	—	1,567,824
Total		2,954,024	—	—	2,954,024
Fixed income		—	17,981,447	—	17,981,447
Total		—	17,981,447	—	17,981,447
International and emerging equities					
		2,712,860	—	—	2,712,860
Total		2,712,860	—	—	2,712,860
Cash and cash equivalents		(42,887)	—	—	(42,887)
	\$	5,623,998	17,981,447	—	23,605,445

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

	2023		2022	
	Target	Actual	Target	Actual
Domestic equities	50%	54%	50%	52%
Fixed income	35	32	35	34
International and emerging equities	15	14	15	14
	100%	100%	100%	100%

The actual rate of return for the VEBA Trust (postretirement) plan's assets as of December 31, 2023 and 2022 is as follows:

Asset category	Annual returns December 31	
	2023	2022
Domestic equities	21.4 %	(14.7) %
International and emerging equities	15.6	(21.4)
Fixed income	6.0	(14.8)
Total portfolio weighted average	15.7 %	(15.5) %

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The fair values of VEBA Trust (postretirement) plan's assets at December 31, 2023 and 2022 are presented below:

2023 Fair value				
	Level 1	Level 2	Level 3	Total
Domestic equities	\$ 3,290,363	—	—	3,290,363
Fixed income	1,945,236	—	—	1,945,236
International and emerging equities	861,458	—	—	861,458
Total	6,097,057	—	—	6,097,057
Cash and cash equivalents	67,193	—	—	67,193
\$	6,164,250	—	—	6,164,250

2022 Fair value				
	Level 1	Level 2	Level 3	Total
Domestic equities	\$ 2,955,854	—	—	2,955,854
Fixed income	1,914,458	—	—	1,914,458
International and emerging equities	774,887	—	—	774,887
Total	5,645,199	—	—	5,645,199
Cash and cash equivalents	38,477	—	—	38,477
\$	5,683,676	—	—	5,683,676

(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 \$8,345,945 and \$7,541,564 for 2023 and 2022, 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,

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2023 and 2022 were \$5,106,001 and \$4,992,578, respectively. The short-term portion of such liability, included in Other Current Liabilities, at December 31, 2023 and 2022, was \$2,470,550 and \$2,517,210, 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(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, 2023 and 2022 was \$3,853,797 and \$2,931,463, respectively, recorded as marketable securities, and the corresponding deferred compensation liability is recorded in Accounts Payable and Accrued Expenses in the accompanying Statements of Financial Position.

(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. Under the terms of the amendment, NYISO is required to make annual payments of approximately \$309,000, over the next 2 years through 2025. The agreement is cancelable at the discretion of NYISO.

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, 2023 and 2022 consisted of the following:

	<u>2023</u>	<u>2022</u>
Advance payments received on planning studies	\$ 75,574,056	45,521,591
Governance participation fees and other	579,250	481,505
Total	<u>\$ 76,153,306</u>	<u>46,003,096</u>

(11) Liquidity and Working Capital Reserve

At December 31, 2023 and 2022, 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.

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At December 31, 2023 and 2022, the liquidity consisted of the following:

	2023	2022
Cash	\$ 43,189,191	49,956,914
Restricted cash	542,205,772	686,855,825
Accounts receivable - net	10,030,855	8,583,243
Total	<u>\$ 595,425,818</u>	<u>745,395,982</u>

NYISO's cash flows have variations during the year attributable to fluctuation in Rate Schedule 1 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, 2023 and 2022, the working capital reserve consisted of the following:

	2023	2022
Market participant contributions through Rate Schedule 1	\$ 33,000,000	33,000,000
Interest on market participant contributions	5,357,424	2,512,840
Total	<u>\$ 38,357,424</u>	<u>35,512,840</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 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 supporting management and general activities and are categorized accordingly.

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Operating expenses presented by both natural and functional classifications are as follows for the years ended December 31, 2023 and 2022:

Year ended December 31, 2023			
	Program Services	Management & General	Total
Compensation and related benefits	\$ 68,466,054	48,089,201	116,555,255
Professional fees and consultants	33,976,414	1,008,169	34,984,583
Depreciation	17,728,494	—	17,728,494
Maintenance, software licenses and facility costs	25,817,829	2,362,227	28,180,056
Federal Energy Regulation Commission fees	17,362,770	—	17,362,770
Administrative and other expenses	8,627,108	8,156,852	16,783,960
Total	\$ 171,978,669	59,616,449	231,595,118

Year ended December 31, 2022			
	Program Services	Management & General	Total
Compensation and related benefits	\$ 58,382,001	41,325,954	99,707,955
Professional fees and consultants	30,693,155	1,044,263	31,737,418
Depreciation	25,580,943	—	25,580,943
Maintenance, software licenses and facility costs	23,792,734	2,549,734	26,342,468
Federal Energy Regulation Commission fees	15,120,369	—	15,120,369
Administrative and other expenses	882,282	7,475,573	8,357,855
Total	\$ 154,451,484	52,395,524	206,847,008

(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, 2024 and subsequent events have been evaluated through that date.