

2024

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](https://www.linkedin.com/company/nyiso)

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Message from Board Chair and President & CEO

We are pleased to share the New York Independent System Operator's 2025 Annual Report and to reflect on a year of meaningful progress, strong performance, and unwavering commitment to our mission.

Since our inception in 1999, the NYISO has remained focused on protecting electric system reliability, evolving competitive markets, planning for the future needs of the grid, and providing independent data and analytics to stakeholders across New York. As the power system undergoes rapid and transformational change, these priorities continue to guide our work.

The regulatory and policy landscape is shifting quickly, and the pace of new resource development is not always keeping up with growing electricity demand. Even as these pressures intensify, the NYISO remains committed to close collaboration with market participants, stakeholders and policymakers to ensure New York has a reliable, efficient, and secure electric system that supports both public policy objectives and the state's expanding economy.

Competitive electric markets continue to demonstrate their value. They remain the most powerful mechanism for aligning grid investments with reliability needs, efficiently directing capital, and shielding consumers from investment risks. In 2025, market enhancements continued to integrate emerging technologies and incentivize the flexibility required in a more dynamic operating environment.

Our planning processes play an equally important role. Demand is rising—driven in large part by energy-intensive economic development projects and electrification—and will require a more diverse portfolio of resources capable of meeting evolving reliability needs. As fossil-fuel generators retire under state decarbonization mandates and age-related performance degradation, reliability margins narrow. These trends underscore the need for timely addition of new generation and transmission infrastructure, and we are pleased that recent years have brought substantial progress through the Public Policy Transmission Planning Process. Continued investment will be essential.

Advances in grid technology are also reshaping system operations. The NYISO is investing strategically in tools that strengthen flexibility, scalability, and cybersecurity so that we can continue to manage an increasingly complex grid with confidence and precision.

Throughout all this work, our governance processes—rooted in transparency, open communication, and collaboration—remain a cornerstone of our institution. Our financial discipline ensures we continue delivering value to customers while supporting the needs of the



broader energy ecosystem. And above all, we recognize that our people are the foundation of our success. Their expertise, dedication, and commitment to continuous learning drive the innovation and excellence reflected in this report.

The future of New York's electric system presents both challenges and opportunities. We remain optimistic, confident, and fully committed to meeting the moment. The NYISO will continue to provide the independent leadership, technical rigor, and market stewardship required to support a reliable, modern, and efficient grid that serves all New Yorkers.

Thank you for your trust and continued partnership.

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:

- Successfully operated the grid through challenging winter and summer system conditions.
- Advancing more than 240 generation projects through the first phase of the interconnection cluster study following its inaugural commencement in August 2024 — a crucial step and significant milestone toward integrating supply.
- Enhanced the online System Conditions page, incorporating a grid alert system to communicate when energy supplies are limited and conservation measures may be necessary. The system was effectively deployed throughout Summer 2025, providing enhanced communication during the heat waves experienced.
- Conducted a comprehensive review of the Capacity Market structure with recommendations ensuring the market continues to support resource adequacy and delivers transparent, predictable, and efficient market outcomes.
- Designed seasonal market modifications to the Capacity Market to address increased winter demand and the transition to a winter peaking system.
- Continued implementation activities on Balancing Intermittency, Dynamic Reserves, and Duct Firing to enhance energy markets, focusing on utilizing existing resources to their full capabilities and managing the future grid to ensure grid reliability, increase efficiency, and lower total production costs.
- Completed technology upgrades to the Capacity, Energy/Business Management, and Market systems, resulting in improved performance, increased reliability, strengthened cybersecurity, and alignment with future operational and regulatory requirements.
- Achieving our role as an authoritative source of information, published *Power Trends 2025*, focusing on how reliability margins continue to decline as fossil-based generation retires and new supply resources are not keeping pace with expected demand growth.
- Outstanding performance in a NERC Compliance Audit pertaining to Operations, Planning and Critical Infrastructure over a multi-year period.
- Continued to invest in professional development programs that prioritize employee learning and competencies, job satisfaction, and inclusion in 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

- 🔍 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 January 2026

11772244 Canada Inc.	BP Energy Company	CPV Valley, LLC
15864518 Canada Inc.	BP Energy Retail Company, LLC	Cricket Valley Energy Center, LLC
3M Company	Brookfield Renewable Energy Marketing US, LLC	Cummins Inc.
Abest Power & Gas, LLC	Brookfield Renewable Trading and Marketing LP	CWP Energy Inc.
ABN Energy, LLC	Broome Energy Resources, LLC	Dahlgren Energy LLC
ACT Commodities Inc.	Brown's Energy Services, LLC	Danskammer Energy, LLC
Aesir Power, LLC	Buy Energy Direct, LLC	Danske Commodities US. LLC
AES Marketing and Trading, LLC	Calpine Community Energy, LLC	Dare US LLC
Aggressive Energy, LLC	Calpine Energy Services LP	David Energy Supply, LLC
Agile Energy Trading, LLC	Calpine Energy Solutions, LLC	DC Energy LLC
Agilitas Energy Trading NY, LLC	Canandaigua Power Partners, LLC	DC Energy New York, LLC
Agway Energy Services, LLC	Canastota Windpower LLC	Digital Power USA, Inc.
Albany Energy LLC	Carr Street Generating Station LP	Direct Energy Business, LLC
All American Power and Gas, LLC	Cassadaga Wind, LLC	Direct Energy Marketing Inc.
All Choice Energy, LLC	Castleton Commodities Energy Services, LLC	Direct Energy Services, LLC
Alpha Gas and Electric, LLC	Castleton Commodities Energy Trading LLC	DL Management Inc.
Alphataraxia Nickel LLC	Castleton Commodities Merchant Trading L.P.	DRW Energy Trading Inc.
Altop Energy Trading, LLC	Castleton Power, LLC	DTE Energy Trading Inc.
Ambit New York, LLC	CCI U.S. Power Trading LLC	Dynasty Power Inc.
American Power & Gas, LLC	CECONY-LSE	Dynergy Marketing and Trade, LLC (DMT)
American PowerNet Management, LP	Central Hudson Gas & Electric Corp	Eagle Creek Hydro Power, LLC
Ameripro Energy Corp.	Centre Lane Trading Ltd.	Eagle Power Authority, Inc.
AP Gas & Electric (NY), LLC dba APG&E	Champion Energy Services, LLC	Eagles Power, LLC
AP Gas & Electric (TX), LLC	Chief Energy Power, LLC	East Coast Power, LLC
Apollo Energy, LLC	Citigroup Energy Inc.	EDF Trading North America, LLC
Apollo Power Inc.	Citizens Choice Energy, LLC dba AmeriChoice Energy	EDP Renewables North America, LLC
Appian Way Energy Partners East, LLC	City of Niagara Falls	Effinex, LLC
Approved Energy II LLC	City Power & Gas, LLC	Electree, LLC
Arkwright Summit Wind Farm LLC	CleanChoice Energy, Inc. dba Ethical Electric	Eligo Energy, LLC
Astoria Energy II, LLC	Clearview Electric, Inc.	Eligo Energy NY, LLC
Astoria Energy, LLC	Columbia Utilities Power, LLC	Elyctra, LLC
Astoria Generating Company L.P.	Comity Inc.	Emera Energy Services, Inc.
Atlantic Energy, LLC	Command Power Corp.	Emera Energy Services Subsidiary No. 1, LLC
ATNV Energy, LP	ConocoPhillips Company	Emera Energy Services Subsidiary No. 15, LLC
Avangrid Power, LLC	Consolidated Edison Co. of New York, Inc.	Emera Energy Services Subsidiary No. 2, LLC
Axon Energy, LLC	Consolidated Power Co., LLC	Emera Energy Services Subsidiary No. 3, LLC
Axpo U.S. LLC	Constellation Energy Generation, LLC	Empire Generating Co, LLC
Ball Hill Wind Energy, LLC	Constellation NewEnergy, Inc.	Empire Natural Gas Corp.
Barclays Services Corporation	County of Erie NY	EMP Power, LLC
Bayonne Energy Center, LLC	County of Niagara NY	Enel Trading North America, LLC
Big Bend Trading, LLC	Covanta Niagara, LP	Enel X North America, Inc.
Bilton Wong Power, Inc.	CP Energy Marketing (US) Inc.	Energy Cooperative of America, Inc. dba EnCoop of NY
Blackout Power Trading Inc.	CPV Towantic, LLC	EnergyMark, LLC
Black River Hydroelectric, LLC		Energy Plus Holdings, LLC
Bluestone Wind, LLC		Energy Services Providers, Inc. Db a NY Gas&Electric
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	Innovative Energy Systems, Inc.	MFT Energy US Power, LLC
ENGIE Resources, LLC	Innoventive Power LLC	MidAmerican Energy Services, LLC
EnSCo Energy Services Company AG	Inova Energy, LLC	Midwest Energy Trading East LLC
Erie Boulevard Hydropower LP	Inspire Energy Holdings, LLC	Mirabito Power & Gas, LLC
Erie Wind, LLC	Islip Resource Recovery Agency	Model City Energy, LLC
ETC Endure Energy L.L.C.	J. Aron & Company LLC	Modern Innovative Energy, LLC
Evergy Kansas Central, Inc.	J.P. Morgan Ventures Energy Corporation	Monroe County NY
Everyday Energy, LLC	Jamestown Board of Public Utilities	Morgan Stanley Capital Group, Inc.
Family Energy Inc.	Jericho Rise Wind Farm LLC	Morgan Stanley Services Group Inc.
First Choice Energy, LLC	Just Energy Limited	MP2 Energy LLC
First Commodities International Inc.	Just Energy New York Corp.	MP2 Energy NE LLC
First Point Power, LLC	Kaleida Health	MPH Cross Island Power, LLC
FiTran Fund LP	Karbone Energy, LLC	MPH Rockaway Peakers, Inc
Flat Rock Windpower II LLC	Keni Energy LLC	MPower Energy LLC
Flat Rock Windpower LLC	KFW Energy Trading, LLC	MSE-Enerwise Global Technologies
Freepoint Commodities LLC	Kiwi Energy NY, LLC	Munnsville Wind Farm, LLC
Freepoint Energy Solutions LLC	kWantix Trading Fund I, LP	Nabla Technologies Europe, LLC
Freeport Electric	Leapfrog Power, Inc.	Nalcor Energy Marketing Corporation
Fuse Energy NY LLC	Lighthouse Arthur Kill, LLC	National Gas & Electric, LLC
Galt Power Inc.	Lockport Energy Assoc.	Nationwide Energy, LLC
Gateway Energy Services Corporation	Logistic Energy LLC	NDC Partners LLC
GBE Power Inc.	Long Island Power Authority	New Athens Generating Company LLC
GB II New York LLC	LPH Marketing, LLC	New Wave Energy LLC
Gen IV Investment Opportunities, LLC	LS Power Grid New York Corporation I	New York Municipal Power Agency
Great American Gas & Electric, LLC	LTSTE Investments, LLC	New York Power Authority
Greenlight Energy Inc.	M&R Energy Resources Corp.	New York State Electric & Gas Corp.
Green Mountain Energy Company	Macquarie Energy LLC	New York Transco, LLC
Green Mountain Power Corporation	Macquarie Energy Trading LLC	NextEra Energy Marketing, LLC
Green USA, LLC	Madison Windpower, LLC	NextEra Energy Services Massachusetts, LLC
GRG Energy, LLC	MAG Energy Solutions Inc.	NextEra Energy Services New York, LLC
Gridmatic Nyssa, LLC	Major Energy Electric Services, LLC	NextEra Energy Transmission New York, LLC
Grid Power Direct, LLC	Marble River, LLC	Next Utility Energy LLC
Griffiss Utility Services Corporation	Marsh Hill Energy LLC	Nexus Energy Inc.
Group628, LLC	Matador Power Marketing Inc.	Niagara Frontier Transportation Authority
H.Q. Energy Services (U.S.) Inc.	Mayflower Power & Gas LLC	Niagara Mohawk Power Corp.
Halia Energy LLC	Median Energy Corp.	Niagara University
Hardscrabble Wind Power LLC	Mercuria Energy America, LLC	Niagara Wind Power, LLC
Hartree Partners, LP	Mercuria SJAK Trading, LLC	Nine Mile Point Nuclear Station, LLC
Hecate Energy Albany 1, LLC	Merrill Lynch Commodities, Inc.	Nissequogue Cogen Partners
Hecate Energy Albany 2, LLC	Messer Energy Services, Inc.	NOCO Electric LLC
Homer City Generation, L.P.	Metering Authority – Central Hudson Gas and Electric	Nordic Energy Services, LLC
Horizon Energy of New York, LLC	Metering Authority – Consolidated Edison of NY	Northbrook Lyons Falls, LLC
Howard Wind LLC	Metering Authority – Long Island Power Authority	North Country Data Center Corp
Hudson Energy Services, LLC	Metering Authority –	
IDT Energy, Inc		
In Commodities US LLC		
Indeck-Corinth LP		

Northeastern Power and Gas, LLC	Robison Energy, LLC	Think Energy, LLC
North East Offshore, LLC	Rochester Gas & Electric Corp.	Thordin ApS
Northland Power Energy Marketing (US) Inc.	Roctop Investments Inc.	Tidal Energy Marketing (U.S) L.L.C.
NRG Business Marketing, LLC	Rodan Energy Solutions (USA) Inc.	Trafigura Trading LLC
NRG Curtailment Solutions, Inc.	Roseton Generating LLC	TrailStone Power, LLC
NuEnerGen, LLC	Ruken Clean Energy QSE, LLC	TransAlta Energy Marketing (U.S.) Inc.
Number Three Wind LLC	RWE Renewables QSE, LLC	Transgrid Midwest LLC
Nyquist, LLC	RWE Clean Energy Solutions, Inc.	Triolith Energy Fund, LP
NYTCR, LLC	RWE Clean Energy Wholesale Services, Inc.	Tyr Energy, LLC
OCP Resources, LLC	S.J. Energy Partners, Inc.	U.S. Energy Partners LLC
Octopus Energy, LLC	Saracen Energy East LP	U.S. Power Supply, LLC
Old Mission Energy Trading, LLC	Saracen Energy Midwest LP	UGI Energy Services, LLC
Ontario Power Generation Energy Trading, Inc.	Saracen Energy West LP	Uncia Energy, LP - Series F
Ontario Power Generation Inc.	Saracen Power LP	University of Rochester
Open Book Energy, LLC	Saranac Power Partners, L.P.	Unwerth LLC
Orange & Rockland Utilities, Inc.	SBF New York, L.L.C.	Valcour Altona Windpark, LLC
Orangeville Energy Storage LLC	Schools & Municipal Energy Cooperative (SMEC)	Valcour Bliss Windpark, LLC
ORU-LSE	Scylla Energy, LLC	Valcour Chateaugay Windpark, LLC
Oswego Harbor Power LLC	Second Foundation US Trading, LL	Valcour Clinton Windpark, LLC
Pacific Summit Energy LLC	Selkirk Cogen Partners, L.P.	Valcour Ellenburg Windpark, LLC
Palmco Power NY, LLC	Seneca Energy II, LLC	Valcour Wethersfield Windpark, LLC
Palm Energy, LLC	Seneca Power Partners, L.P.	Valcour Wind Energy, LLC
Path Trading, LLC	SESCO Enterprises LLC	VECO Power Trading, LLC
Pay Less Energy, LLC	Sheldon Energy LLC	Verde Energy USA New York, LLC
Peninsula Power, LLC	Shell Energy North America (US), L.P	Village of Rockville Centre
Phillips 66 Energy Trading, LLC	Siemens Industry, Inc	Viribus Fund LP
Phoenix Energy Group, LLC	SmartEnergy Holdings, LLC	Viridian Energy NY, LLC
Pivot Point Energy Group, LLC	SmartestEnergy US, LLC	Viridity Energy Solutions Inc.
Plant-E Corp.	SociVolta Inc.	Vitol Inc.
Polaris Power Services LLC	Sol Energy, LLC	Voltus, Inc.
Power Up Energy, LLC	South Bay Energy Corp.	Watchtower Bible and Tract Society of New York, In
Precept Power LLC	Spartacus Energy of New York LLC	WDYP Power, LLC
Protor Energy, LLC	Sparta Energy, Inc.	Weems LLC
PSEG Energy Resource & Trade, LLC	Spartan Electricity Futures, Inc.	Wheelabrator Hudson Falls, LLC
Public Power, LLC	Spotlight Power LLC	Wheelabrator Westchester, L.P.
Pure Energy Inc.	Standard Normal Energy LLC	WM Renewable Energy, LLC
Pure Energy USA, LLC dba Pure Energy	Star Light and Power LLC	World Generation X, LLC
Quantum Power Corp.	StatArb Investment LLC	XOOM Energy, LLC
R.E. Ginna Nuclear Power Plant, LLC	State of New York - OGS	XOOM Energy New York, LLC
Rainbow Energy Marketing Corp	State of New York - OGS Municipal	ZGE New York LLC
Ravenswood Operations, LLC	State of New York - SUNY	Ziarre Trading LLC
RED-Rochester, LLC	State of New York - SUNY Buffalo	Zone One Energy, LLC
Relevate ReDev Borrower II, LLC	Stephentown Spindle, LLC	
Reliant Energy Northeast, LLC dba NRG Retail Solut	Stony Creek Energy LLC	
Renaissance Power & Gas, Inc.	Stream Energy New York, LLC	
Rensselaer Generating, LLC	SunSea Energy, LLC	
Residents Energy, LLC	Sustaining Power Solutions LLC	
RHEI Energy Partners LP	SYSO Inc.	
Rinar Power LLC	TEC Energy Inc.	
Riverbay Corporation	Tenaska Power Services Co.	
	Texas Retail Energy, LLC	
	The Energy Authority, Inc.	

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

Steve Doyon

Former CEO of Onward Energy and the founder and former CEO of Novatus Energy

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 NYISO

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

Heather Rivard

Senior Vice President, Transmission and Distribution and former Senior Vice President of Electric Distribution at DTE Energy Southern California Edison. Former aerospace engineer for the Department of Defense and for NASA

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

Senior Vice President,
External Affairs &
Corporate Communications

Aaron Markham

Vice President,
Operations

Robb A. Pike

Vice President,
Market Operations

Deneen Byrne

Vice President,
Human Resources

2024 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, 2024 and 2023, 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, 2024 and 2023, 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 available to be 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 13, 2025

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

Statements of Financial Position

December 31, 2024 and 2023

Assets	2024	2023
Current assets:		
Cash and cash equivalents	\$ 64,184,633	43,189,191
Restricted cash	578,716,115	542,205,772
Marketable securities (note 8)	4,714,965	3,853,797
Accounts receivable – net (note 2)	246,433,656	10,030,855
Prepaid expenses	9,506,113	7,683,914
Regulatory assets (note 3)	1,298	11,095,196
Other current assets	229,914	176,570
Total current assets	<u>903,786,694</u>	<u>618,235,295</u>
Noncurrent assets:		
Regulatory assets (note 3)	20,116,108	20,357,399
Property and equipment – net (note 4)	84,095,947	91,333,381
Other noncurrent assets (note 7)	1,741,285	3,026,964
Total noncurrent assets	<u>105,953,340</u>	<u>114,717,744</u>
Total	<u>\$ 1,009,740,034</u>	<u>732,953,039</u>
Liabilities		
Current liabilities:		
Accounts payable and accrued expenses	\$ 40,161,961	36,774,221
Market participant settlements	385,357,587	94,536,439
Market participant security deposits	305,289,177	342,531,160
Market participant prepayments	12,082,296	11,178,616
Working capital reserve (note 11)	35,678,874	38,357,424
Long-term debt – current portion (note 6)	31,421,803	25,584,525
Regulatory liabilities – current portion (note 3)	15,547,821	11,341,625
Deferred revenue (note 10)	62,548,975	76,153,306
Other current liabilities (note 8)	5,061,141	3,117,749
Total current liabilities	<u>893,149,635</u>	<u>639,575,065</u>
Noncurrent liabilities:		
Accrued pension liability (note 8)	299,698	2,497,281
Accrued postretirement liability (note 8)	6,726,565	5,177,407
Regulatory liabilities (note 3)	16,929,646	32,155,655
Interconnection Study security deposits (note 1)	35,660,329	—
Other noncurrent liabilities (notes 7 and 8)	6,893,323	5,229,762
Long-term debt (note 6)	50,080,838	48,317,869
Total noncurrent liabilities	<u>116,590,399</u>	<u>93,377,974</u>
Total liabilities	1,009,740,034	732,953,039
Net assets without donor restrictions	<u>—</u>	<u>—</u>
Total liabilities and net assets	<u>\$ 1,009,740,034</u>	<u>732,953,039</u>

See accompanying notes to financial statements.

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

Statements of Activities

Years ended December 31, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Revenues:		
Rate Schedule 1 Budgeted tariff charge	\$ 194,840,100	190,077,100
Regulatory Adjustments to Rate Schedule 1 budget charge	3,699,500	(13,695,689)
Application of Rate Schedule 1 Overcollections	<u>6,440,283</u>	<u>13,001,798</u>
Rate Schedule 1 tariff charge, net	204,979,883	189,383,209
Federal Energy Regulatory Commission fees recovery	18,029,115	17,362,770
Planning studies revenue	25,505,395	17,451,924
Fees and services	1,568,198	1,615,727
Interest income	<u>6,078,354</u>	<u>5,781,488</u>
Total revenues	<u>256,160,945</u>	<u>231,595,118</u>
Operating expenses:		
Compensation and related benefits (note 8)	128,536,895	116,555,255
Depreciation and amortization (note 4)	22,126,369	17,728,494
Professional fees and consultants	39,759,596	34,984,583
Maintenance, software licenses and facility costs	28,659,298	28,180,056
Federal Energy Regulatory Commission fees	18,029,115	17,362,770
Administrative and other expenses	5,111,797	4,768,954
Insurance expense	3,767,526	3,650,969
Interest expense	5,111,857	3,333,701
Telecommunication expenses	2,922,652	2,903,369
Training, travel, and meeting expenses	1,545,939	1,324,780
Northeast Power Coordinating Council fees	224,579	196,832
Change in fair value of marketable securities	(505,490)	(540,797)
Change in fair value of interest rate swaps (note 7)	<u>870,812</u>	<u>1,146,152</u>
Total operating expenses	<u>256,160,945</u>	<u>231,595,118</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, 2024 and 2023

	<u>2024</u>	<u>2023</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 provided by (used in) operating activities:		
Depreciation	22,126,369	17,728,494
Amortization of debt issuance costs	47,526	31,254
Loss/(Gain) on disposition of assets	97,346	—
Change in fair value of interest rate swaps	870,812	1,146,152
Change in fair value of marketable securities	(505,490)	(540,797)
Change in operating assets and liabilities that provide (use) cash:		
Accounts receivable	(236,402,801)	(1,447,612)
Market participant settlements	290,821,148	(129,774,677)
Deferred revenue and other liabilities	(9,985,555)	30,270,023
Market participant prepayments	903,680	(11,620,118)
Regulatory liabilities	(11,019,813)	(639,438)
Regulatory assets	11,335,189	(11,026,627)
Accounts payable and accrued expenses	3,172,577	8,030,046
Prepaid expenses and other assets	(1,472,499)	1,035,083
Working capital reserve	(2,678,550)	2,844,584
Marketable securities	(355,678)	(381,537)
Pension and postretirement liabilities	(648,425)	1,284,018
Interconnection Study security deposits	35,660,329	—
Market participant security deposits	(37,241,983)	(33,539,834)
Net cash provided by (used in) operating activities	<u>64,724,182</u>	<u>(126,600,986)</u>
Cash flows from investing activities:		
Acquisition of property and equipment (including capitalized interest)	(14,775,618)	(16,276,571)
Proceeds on disposition of assets	4,500	—
Net cash used in investing activities	<u>(14,771,118)</u>	<u>(16,276,571)</u>
Cash flows from financing activities:		
Debt issuance costs	(136,144)	—
Proceeds from revolving credit facility loan	13,000,000	14,900,000
Repayment of revolving credit facility loan	(13,000,000)	(14,900,000)
Proceeds from 2024 budget facility loan	37,000,000	27,000,000
Repayment of 2019-2023 budget facility loan	(24,832,834)	(31,166,667)
Repayment of 2013 Infrastructure Loan	(2,646,316)	(2,646,317)
Repayment of Mortgage and Renovations loans	(1,831,985)	(1,727,235)
Net cash provided by (used in) financing activities	<u>7,552,721</u>	<u>(8,540,219)</u>
Net increase (decrease) in cash, cash equivalents and restricted cash	57,505,785	(151,417,776)
Cash, cash equivalents and restricted cash – beginning of year	<u>585,394,963</u>	<u>736,812,739</u>
Cash, cash equivalents and restricted cash – end of year	\$ <u>642,900,748</u>	\$ <u>585,394,963</u>
Supplemental disclosure of cash flow information – cash paid during the year for interest, net of capitalized interest	\$ 4,946,377	3,350,045
Noncash investing activities:		
Property and equipment additions which were accrued but not paid	\$ 470,337	255,174
Property and equipment additions previously accrued which were paid	255,174	2,790,697

See accompanying notes to financial statements.

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

Notes to Financial Statements

December 31, 2024 and 2023

(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.**

Notes to Financial Statements

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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 billing period. 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 when expenses are incurred 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
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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, 2024 and 2023 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 in advance for planning studies, interconnection study security deposits, amounts collected for the estimated annual FERC Assessment 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:

	<u>2024</u>	<u>2023</u>
Cash	\$ 39,414,735	18,835,154
Cash equivalents	<u>24,769,898</u>	<u>24,354,037</u>
Cash and cash equivalents	64,184,633	43,189,191
Restricted cash	<u>578,716,115</u>	<u>542,205,772</u>
Cash, cash equivalents and restricted cash end of year	<u>\$ 642,900,748</u>	<u>585,394,963</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

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costs are amortized on a straight-line basis over three years, based on the nature and estimated useful life of the applicable asset. Amortization of capitalized software costs is included in depreciation and amortization expense within the Statements of Activities.

Long-lived assets are recorded at cost and are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amounts of the assets may not be recoverable. Management is not aware of any events or changes in circumstances that would necessitate a review of any long-lived assets as of the years ended December 31, 2024 and 2023.

(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 semi-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

Certain 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) Interconnection Study Security Deposits

In 2024 NYISO implemented a cluster study process for Interconnection project requests. This process requires that developers comply with certain requirements during the study process. Beginning in 2024, developers are required to provide security deposits at certain decision points throughout the study period. These deposits are to be returned to the developer upon successful completion of the study process. NYISO records these security deposits in restricted cash and as a noncurrent liability in the accompanying Statement of Financial Position.

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(l) Income Taxes

NYISO has been recognized by the Internal Revenue Service as an organization described in Internal Revenue Code (The Code) Section 501(c)(3) and is generally exempt from income taxes under Section 501(a) of the Code. During the calendar years 2024 and 2023, 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.

(m) Fair Value

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

Level 1: Quoted 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.

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(n) 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.

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.

(o) 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, 2024, the adjustments and true-ups of all settlement invoices through March 2024 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 63.0% or \$126.4M and 63.7% or \$116.1M of Rate Schedule 1 revenues for the years ended December 31, 2024 and 2023, respectively.

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The NYISO's top 10 Market Participants with unbilled receivable balances represented approximately 62.1% or \$1.4M and 64.2% or \$3.0M as of December 31, 2024 and 2023, respectively.

(p) Derivative Instruments

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

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

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

(q) Debt Issuance Costs

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

(r) 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.

As provided for in Topic ASU 842, NYISO elected to use the practical expedient for lessees as it relates to separating lease components from non-lease components 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.

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SYSTEM OPERATOR, INC.**

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(2) Accounts Receivable

NYISO's accounts receivable at December 31, 2024 and 2023 consisted of the following:

	<u>2024</u>	<u>2023</u>
Billed:		
Current-due settlement invoices	\$ 238,562,939	—
Miscellaneous billed receivables	1,655,613	551,876
	<u>240,218,552</u>	<u>551,876</u>
Unbilled:		
Miscellaneous unbilled receivables	3,772,142	4,487,932
Rate Schedule 1 revenue for December	2,442,962	4,991,047
	<u>6,215,104</u>	<u>9,478,979</u>
Total	\$ <u>246,433,656</u>	<u>10,030,855</u>

NYISO invoices market participants weekly for settlement charges and Rate Schedule 1 revenue. As of December 31, 2024, current-due settlement invoices represented amounts invoiced on December 31, 2024 and were collected on January 3, 2025.

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

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

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Notes to Financial Statements

December 31, 2024 and 2023

(3) Regulatory Assets and Liabilities

At December 31, 2024 and 2023, regulatory assets and liabilities consisted of the following:

	2024	2023
Regulatory assets:		
Funding for postretirement deferred charges	\$ 11,775,916	11,197,326
Funding for pension benefits	8,340,192	9,160,073
Derivative Contracts	1,298	—
Rate Schedule 1 transactional volumes under collections	—	7,642,125
Voltage support service (reactive power) market	—	3,453,071
	20,117,406	31,452,595
Less current portion	(1,298)	(11,095,196)
Noncurrent regulatory assets	\$ 20,116,108	20,357,399
Regulatory liabilities		
Rate Schedule 1 underspending	\$ 8,395,046	11,341,625
Funding for pension deferred charges	8,040,494	6,500,122
Rate Schedule 1 transactional volume overcollections	5,638,146	—
Funding for postretirement benefits	5,049,351	6,019,919
Net financing and capital rate timing	2,371,673	17,297,972
Voltage support service (reactive power) market	1,514,629	—
Derivative contracts	1,468,128	2,337,642
Total regulatory liabilities	32,477,467	43,497,280
Less current portion	(15,547,821)	(11,341,625)
Noncurrent regulatory liabilities	\$ 16,929,646	32,155,655

(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 regulatory assets or liabilities. These amounts are expected to be included in future rates.

(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.

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(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, 2024 and 2023, property and equipment consisted of the following:

	<u>2024</u>	<u>2023</u>
Software developed for internal use	\$ 262,491,372	256,657,011
Building, building improvements, and leasehold improvements	115,579,325	115,144,339
Computer hardware and software	65,471,015	63,983,601
Machinery and equipment	8,087,650	8,757,943
Land and land improvements	3,361,818	3,361,818
Furniture and fixtures	2,332,122	2,333,594
	<u>457,323,302</u>	<u>450,238,306</u>
Accumulated depreciation	<u>(377,604,808)</u>	<u>(363,029,322)</u>
Property and equipment, net	79,718,494	87,208,984
Work in progress	<u>4,377,453</u>	<u>4,124,397</u>
Total property and equipment, net	<u>\$ 84,095,947</u>	<u>91,333,381</u>

Property and equipment includes interest of \$135,014 and \$116,294 capitalized during 2024 and 2023, respectively. Total capitalized labor for the years ended December 31, 2024 and 2023 was \$2,123,155 and \$5,238,043 respectively.

Depreciation expense for the years ended December 31, 2024 and 2023 was \$22,126,369 and \$17,728,494 respectively.

Costs represented in Work in Progress primarily include the Office Mechanical Upgrade 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 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%.

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

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SOFR. During 2024, \$13.0 million in borrowings were made under the Revolving Credit Facility, at an average interest rate of 5.689%. At December 31, 2024 there were no amounts outstanding on the Revolving Credit Facility.

(6) Long-Term Debt

At December 31, 2024, the following amounts were outstanding on NYISO's long-term debt:

	2024-2028 Budget facility loan (i)	2019-2023 Budget facility loan (ii)	Mortgage (iii)	Renovations (iii)	2012 Infrastructure loan (iv)	Total
Total outstanding:						
Maturities	\$ 37,000,000	24,967,166	767,256	1,683,080	17,306,772	81,724,274
Less unamortized debt issuance costs	(115,728)	(26,625)	(661)	(1,645)	(76,974)	(221,633)
Total debt, net	36,884,272	24,940,541	766,595	1,681,435	17,229,798	81,502,641
Current portion:						
Maturities	11,305,556	15,967,166	767,256	782,563	2,646,316	31,468,857
Less unamortized debt issuance costs	(20,416)	(13,312)	(661)	(823)	(11,842)	(47,054)
Total current portion	11,285,140	15,953,854	766,595	781,740	2,634,474	31,421,803
Long term portion:						
Maturities	25,694,444	9,000,000	—	900,517	14,660,456	50,255,417
Less unamortized debt issuance costs	(95,313)	(13,312)	—	(822)	(65,132)	(174,579)
Total long term portion	\$ 25,599,131	8,986,688	—	899,695	14,595,324	50,080,838

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December 31, 2024 and 2023

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

	2019-2023 Budget facility loan (ii)	Mortgage (iii)	Renovations (iii)	2012 Infrastructure loan (iv)	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>

- (i) On December 31, 2023 NYISO entered into a \$100.0 million Revolving Term Loan Credit Facility (2024-2028 Budget 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 plus 60 basis points. NYISO must convert each year's annual borrowings to term loans, with the principal and interest payments payable over three years.

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As of December 31, 2024 and 2023, the loan details on the 2024 - 2028 Budget Facility consisted of the following:

<u>Draw Year</u>	<u>2024</u>
Draw amount	\$ 37,000,000
Converted to term loan	December 2024
Term period	36 months
Maturity date	12/31/2027
As of 12/31/24	
Outstanding balance at fixed interest rate	22,875,000
Fixed interest rate	3.956%
Outstanding balance at variable interest rate	14,125,000
Variable interest rate	5.153%
As of 12/31/23	
Outstanding balance at fixed interest rate	—
Fixed interest rate	N/A
Outstanding balance at variable interest rate	—
Variable interest rate	N/A

- (ii) On December 14, 2018, NYISO entered into a \$90.0 million Revolving Term Loan Credit Facility (2019–2023 Budget Facility) with an effective date of January 1, 2019 through December 31, 2023. The proceeds from this Term Loan Credit Facility are to be used for capital purchases and significant projects during 2019–2023. Interest on borrowings under this Term Loan Credit Facility 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 preceding years restores funds availability sufficient to cover draws totaling \$140.0 million through 2023. NYISO must convert each year's annual borrowings to term loans, with the principal and interest payments payable over three years.

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As of December 31, 2024 and 2023, the loan details on the 2019-2023 Budget Facility consisted of the following:

Draw Year	2021	2022	2023
Draw amount	\$ 28,400,000	32,000,000	27,000,000
Converted to term loan	January 2022	January 2023	January 2024
Term period	36 months	36 months	36 months
Maturity date	12/1/2024	12/1/2025	12/1/2026
As of 12/31/24			
Outstanding balance at fixed interest rate	—	6,418,222	16,581,778
Fixed interest rate	N/A	2.900%	2.900%
Outstanding balance at variable interest rate	—	548,944	1,418,222
Variable interest rate	N/A	5.342%	5.153%
As of 12/31/23			
Outstanding balance at fixed interest rate	1,354,752	19,705,489	24,939,759
Fixed interest rate	2.900%	2.900%	2.900%
Outstanding balance at variable interest rate	111,914	1,627,845	2,060,241
Variable interest rate	6.132%	6.132%	6.057%

- (iii) 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, 2024 and 2023, 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 12/31/24		
Outstanding balance at fixed interest rate	767,256	1,683,080
Fixed interest rate	5.465%	5.635%
As of 12/31/23		
Outstanding balance at fixed interest rate	1,862,830	2,419,491
Fixed interest rate	5.465%	5.635%

- (iv) 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.

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As of December 31, 2024 and 2023, the loan details on the 2012 Infrastructure Loan consisted of the following:

	December 31	
	2024	2023
Outstanding balance at fixed interest rate	\$ 15,490,196	17,843,137
Fixed interest rate	3.649%	3.649%
Outstanding balance at variable interest rate	1,816,576	2,109,951
Variable interest rate	7.079%	7.110%

At December 31, 2024, scheduled maturities of NYISO's long-term debt was as follows:

	2024–2028 Budget facility loan	2019–2023 Budget facility loan	Mortgage	Renovations	2012 Infrastructure loan	Total
2025	\$ 11,305,556	15,967,166	767,256	782,563	2,646,316	31,468,857
2026	12,333,333	9,000,000	—	831,183	2,646,316	24,810,832
2027	13,361,111	—	—	69,334	2,646,316	16,076,761
2028	—	—	—	—	2,646,316	2,646,316
2029	—	—	—	—	2,646,316	2,646,316
Thereafter	—	—	—	—	4,075,192	4,075,192
	<u>\$ 37,000,000</u>	<u>24,967,166</u>	<u>767,256</u>	<u>1,683,080</u>	<u>17,306,772</u>	<u>81,724,274</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.

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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	Sw ap Notional amount at December 31, 2024	Sw ap Fair Value at December 31, 2023	Sw ap Fair Value at December 31, 2024	2024 Gain (loss) on fair value
2024-2028 Budget Facility (iv)	\$ 138,750,000	22,875,000	—	54,357	54,357
2019-2023 Budget Facility (iii)	115,000,000	23,000,000	1,316,774	443,588	(873,186)
2012 Infrastructure Loan (ii)	40,000,000	15,490,196	1,048,384	984,930	(63,454)
Mortgage (i)	4,027,498	767,256	353	(1,298)	(1,651)
Renovations (i)	3,871,294	1,683,080	(27,869)	(14,747)	13,122
Total	\$				<u>(870,812)</u>

- (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 5.960% 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, 2024 and 2023, the fair value of the Mortgage loan interest rate swap agreements was \$(1,298) and \$353, respectively, recorded in either Other Current Liabilities and Other Noncurrent Assets. As of December 31, 2024 and 2023, the fair value of the Renovation loan interest rate swap agreements was \$(14,747) and \$(27,869), respectively, recorded in Other Noncurrent Liabilities. For the years ended December 31, 2024 and 2023 NYISO recorded a fair value gain of \$11,471 and \$36,427, 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

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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 Instructure 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, 2024 and 2023, the fair value of this interest rate swap agreement was \$984,930 and \$1,048,384, respectively, recorded in Other Noncurrent Assets. For the years ended December 31, 2024 and 2023, NYISO recorded a fair value loss of \$63,454 and \$499,625, 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 2.900% 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.

As of December 31, 2024 and 2023, the fair value of this interest rate swap agreement was \$443,588 and \$1,316,774, respectively, recorded in Other Noncurrent Assets. For the years ended December 31, 2024 and 2023 NYISO recorded a fair value loss of \$873,186 and \$682,954, respectively, related to this swap agreement.

- (iv) In August 2024, NYISO entered into an interest rate swap agreement with a commercial bank to fix interest rate payments on the 2024-2028 Budget Facility loan. The notional amount of the debt on the swap agreement was \$138.75 million. NYISO pays a fixed interest rate ranging from 3.956% to 3.285% through December 2028.

As of December 31, 2024, the fair value of this interest rate swap agreement was \$54,357, recorded in Other Noncurrent Assets. For the year ended December 31, 2024, NYISO recorded a fair value gain of \$54,357 related to this swap agreement.

The following table presents the carrying amounts and estimated fair values of NYISO's interest rate swaps, which are all considered Level 3, at December 31, 2024 and 2023:

	2024		2023	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets:				
Interest rate swaps	1,482,875	1,482,875	2,365,511	2,365,511
Financial liabilities:				
Interest rate swaps	16,045	16,045	27,869	27,869

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(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 \$1,600,000 and \$0 in NYISO cash contributions made during 2024 and 2023, 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, Vice President 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.

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 \$6,463,474 and \$6,164,250 as of December 31, 2024 and 2023, 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.

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The schedules that follow show the benefit obligations, the plan assets, and the funded status as of December 31, 2024 and 2023, and the change in benefit obligations for NYISO's pension and postretirement plans for the years ended December 31, 2024 and 2023.

	Pension Plan		Postretirement Plan	
	2024	2023	2024	2023
Change in benefit obligation:				
Benefit obligation –				
beginning of year	\$ 25,054,895	25,494,155	11,341,657	10,185,636
Service cost	—	—	638,946	508,744
Interest cost	1,153,933	1,246,508	611,561	505,209
Actuarial (gain)/loss	(606,617)	1,083,438	991,525	474,112
Participant contributions	—	—	215,922	190,721
Settlements	—	(1,688,597)	—	—
Benefits paid	(2,042,568)	(1,080,609)	(609,572)	(522,765)
	23,559,643	25,054,895	13,190,039	11,341,657
Benefit obligation –				
end of year	23,559,643	25,054,895	13,190,039	11,341,657
Change in plan assets:				
Fair value of plan assets –				
beginning of year	22,557,614	23,605,445	6,164,250	5,683,676
Actual return on plan assets	1,279,866	1,859,368	708,774	826,954
Employer contributions	1,600,000	—	—	—
Participant contributions	—	—	215,922	190,721
Settlements	—	(1,688,597)	—	—
Benefits paid	(2,042,568)	(1,080,609)	(609,572)	(522,765)
Expenses paid	(134,967)	(137,993)	(15,900)	(14,336)
	23,259,945	22,557,614	6,463,474	6,164,250
Fair value of plan				
assets – end of year	23,259,945	22,557,614	6,463,474	6,164,250
Funded Status	\$ (299,698)	(2,497,281)	(6,726,565)	(5,177,407)

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, 2024 and 2023 in the accompanying Statements of Financial Position.

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Amounts recognized in the 2024 and 2023 Statements of Financial Position consist of the following:

	Pension Plan		Postretirement Plan	
	2024	2023	2024	2023
Net actuarial (gain)/loss recognized in regulatory assets (liabilities)	\$ 8,340,192	9,160,073	(5,049,351)	(6,019,919)
Projected benefit obligation	(23,559,643)	(25,054,895)	(13,190,039)	(11,341,657)
Accumulated benefit obligation	(23,559,643)	(25,054,895)	—	—
Fair value of assets	23,259,945	22,557,614	6,463,474	6,164,250
Unfunded projected benefit obligation	\$ (299,698)	(2,497,281)	(6,726,565)	(5,177,407)

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

	Pension Plan		Postretirement Plan	
	2024	2023	2024	2023
Service cost	\$ —	—	638,946	508,744
Interest cost	1,153,933	1,246,508	611,561	505,209
Expected return on plan assets	(1,115,202)	(1,139,521)	(390,554)	(365,851)
Amortization of unrecognized (gain)/loss	183,567	150,277	(281,363)	(460,393)
Realized (gain)/loss due to settlements	—	607,585	—	—
Total	\$ 222,298	864,849	578,590	187,709

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

In 2024, the lump-sum pension benefits paid during the year did not exceed the sum of service and interest cost components. 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.

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The following table as of December 31, 2024 and 2023 shows the assumptions used to calculate the pension and postretirement benefit obligations and net periodic cost or credit:

	Pension Plan		Postretirement Plan	
	2024	2023	2024	2023
Benefit obligations:				
Discount rate	5.40%	4.85%	5.60%	5.00%
Net periodic cost or credit:				
Discount rate	4.85%	5.15%	5.00%	5.25%
Expected return on plan assets	4.84%	4.80%	6.56%	6.61%

NYISO measured benefit obligations using the Pri-2012 mortality tables and MP-2021 mortality improvement scale in selecting mortality assumptions as of December 31, 2024 and December 31, 2023.

In 2024, the assumed postretirement plan healthcare cost trend rates for participants pre-65 are 8.50% for 2025 to 2026 decreasing to 4.00% in 2043, and the participants post-65 are 8.75% going from 2025 to 2026 decreasing to 4.00% in 2044. 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.

The following are gain/loss transactions reflected in the measurement of the benefit obligation for the pension plan, as of December 31, 2024:

- The discount rate changed from 4.85% to 5.40%. This change had the impact of decreasing the projected benefit obligation by approximately \$1.0 million.
- The net loss due to plan experience increased the benefit obligation by approximately \$0.2 million.
- Cash balance interest crediting/conversion rates were updated to reflect current plan and IRC 417(e) rates. The change had the impact of increasing the projected benefit obligation by approximately \$0.1 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 5.00% to 5.60%. This change had the impact of decreasing the benefit obligation by approximately \$1.1 million.

The NYISO does not expect to make a cash contribution to the Pension plan in 2025. There will be a required minimum contribution requirement for 2025, however the plan has a prefunding balance that will be sufficient to satisfy the minimum contribution requirement.

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

	Pension plan	Postretirement plan
2025	\$ 2,539,127	492,033
2026	2,388,807	576,599
2027	2,061,417	734,438
2028	1,931,147	756,947
2029-2033	10,790,917	6,924,375

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	2024		2023	
	Target	Actual	Target	Actual
Fixed income	70%	70%	70%	73%
International and emerging equities	15	14	15	13
Large cap equities	8	8	8	8
Mid cap equities	5	5	5	4
Small cap equities	2	3	2	2
	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>

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The actual rate of return for the pension plan's assets as of December 31, 2024 and 2023 is as follows:

Asset category	Annual returns December 31	
	2024	2023
Large cap equities	23.9 %	25.9 %
Mid cap equities	14.4	16.8
Small cap equities	12.6	14.4
International and emerging equities	2.0	14.4
Fixed income	3.8	5.5
Total portfolio weighted average	6.0 %	8.9 %

The fair values of the pension plan assets at December 31, 2024 and 2023 are presented below:

	2024 Fair value			
	Level 1	Level 2	Level 3	Total
Domestic investments:				
Equities:				
Small cap	\$ 604,976	—	—	604,976
Mid cap	540,418	—	—	540,418
Large cap	1,966,427	—	—	1,966,427
Total	3,111,821	—	—	3,111,821
Fixed income	—	16,372,189	—	16,372,189
Total	—	16,372,189	—	16,372,189
International and emerging equities	3,877,505	—	—	3,877,505
Total	3,877,505	—	—	3,877,505
Cash and cash equivalents	(101,570)	—	—	(101,570)
	\$ 6,887,756	16,372,189	—	23,259,945

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	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)
	<u>\$ 6,044,851</u>	<u>16,512,763</u>	<u>—</u>	<u>22,557,614</u>

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

	2024		2023	
	Target	Actual	Target	Actual
Domestic equities	50%	54%	50%	54%
Fixed income	35	32	35	32
International and emerging equities	15	13	15	14
Cash	—	1	—	—
	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>

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The actual rate of return for the VEBA Trust (postretirement) plan's assets as of December 31, 2024 and 2023 is as follows:

Asset category	Annual returns December 31	
	2024	2023
Domestic equities	20.5 %	21.4 %
International and emerging equities	3.0	15.6
Fixed income	0.7	6.0
Total portfolio weighted average	11.8 %	15.7 %

The fair values of VEBA Trust (postretirement) plan's assets at December 31, 2024 and 2023 are presented below:

	2024 Fair value			
	Level 1	Level 2	Level 3	Total
Domestic equities	\$ 3,476,366	—	—	3,476,366
Fixed income	2,069,079	—	—	2,069,079
International and emerging equities	829,402	—	—	829,402
Total	6,374,847	—	—	6,374,847
Cash and cash equivalents	88,627	—	—	88,627
\$	6,463,474	—	—	6,463,474
	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

(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,

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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 \$9,023,175 and \$8,345,945 for 2024 and 2023, 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, 2024 and 2023 were \$6,775,022 and \$5,106,001, respectively. The short-term portion of such liability, included in Other Current Liabilities, at December 31, 2024 and 2023, was \$4,634,450 and \$2,470,550, 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, 2024 and 2023 was \$4,714,965 and \$3,853,797, 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 year through 2025. The agreement is cancelable at the discretion of NYISO.

NYISO is routinely involved in regulatory actions and is not involved in any legal claims. 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.

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(10) Deferred Revenue

Deferred revenue at December 31, 2024 and 2023 consisted of the following:

	<u>2024</u>	<u>2023</u>
Advance payments received on planning studies	\$ 61,973,309	75,574,056
Governance participation fees and other	575,666	579,250
Total	<u>\$ 62,548,975</u>	<u>76,153,306</u>

(11) Liquidity and Working Capital Reserve

At December 31, 2024 and 2023, 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.

At December 31, 2024 and 2023, the liquidity consisted of the following:

	<u>2024</u>	<u>2023</u>
Cash	\$ 64,184,633	43,189,191
Accounts receivable - net	246,433,656	10,030,855
Total	<u>\$ 310,618,289</u>	<u>53,220,046</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, 2024 and 2023, the working capital reserve consisted of the following:

	<u>2024</u>	<u>2023</u>
Market participant contributions through Rate Schedule 1	\$ 33,000,000	33,000,000
Interest on market participant contributions	2,678,874	5,357,424
Total	<u>\$ 35,678,874</u>	<u>38,357,424</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

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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.

Operating expenses presented by both natural and functional classifications are as follows for the years ended December 31, 2024 and 2023:

	Year ended December 31, 2024		
	Program Services	Management & General	Total
Compensation and related benefits	\$ 74,498,313	54,038,582	128,536,895
Professional fees and consultants	38,723,110	1,036,486	39,759,596
Depreciation	22,126,369	—	22,126,369
Maintenance, software licenses and facility costs	26,632,027	2,027,271	28,659,298
Federal Energy Regulation Commission fees	18,029,115	—	18,029,115
Administrative and other expenses	10,590,587	8,459,085	19,049,672
Total	\$ 190,599,521	65,561,424	256,160,945

	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

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(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 13, 2025 and subsequent events have been evaluated through that date. Based on this evaluation, the Company is not aware of any events or transactions that occurred during the subsequent period that would require recognition or disclosure in the financial statements.