

2022 Corporate Incentive Goals – Final

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*Changes from 11/22/21 BPWG
Highlighted in RED*

Background

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

Draft Gateway Goals

Gateway Goals

■ Gateway goals

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

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

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

Reliability Gateway Goals

GOAL 1

■ Maintain Load

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

■ Consequences:

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

Reliability Gateway Goals

GOAL 2

■ Reliability Standards Violations

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

■ Consequences:

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

Reliability Gateway Goals

GOAL 2 continued

■ Consequences Continued:

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

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

Reliability Gateway Goals

GOAL 2 continued

- **Reliability Standards Violations**

- The NYISO will maintain compliance with NYSRC Rules

- **Consequences:**

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

Market Gateway Goals

GOAL 3a & 3b

■ **Functionality**

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

■ **Consequences:**

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

Market Gateway Goals

GOAL 4

■ Excellence in Execution

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

■ Consequences:

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

Draft Quality Goal

Quality Goal

GOAL 5 Quality Focus (20%)

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

Higher Impact Defects Include:

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

Lower Impact Defects Include:

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

Quality Goal

GOAL 5 Quality Focus Continued

- Achievement will be assessed based on the following:

	Threshold Payout (50%)	Target Payout (100%)	Superior Payout (150%)
Higher Impact Defects	No more than one <i>and</i>	None <i>and</i>	None <i>and</i>
Lower Impact Defects	3 or fewer	2 or fewer	No more than 1
Possible Achievement	10%	20%	30%

Note: If there is one Higher Impact Defect then Threshold is the maximum achievement possible and can only be achieved if there are 3 or fewer Lower Impact Defects.

Draft Strategic Goals

Strategic Goals

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

- The NYISO will deliver the (25) major projects identified in the Business Plan during 2022.
- Achievement will be assessed based on the following:

	Threshold Payout (50%)	Target Payout (100%)	Superior Payout (150%)
Possible Achievement	No more than 3 missed projects	No more than 2 missed projects	No more than 1 missed project
	12.5%	25%	37.5%

Strategic Goals

GOAL 6 Project Initiatives

- **Goal 6B – Key Project Initiatives (30%)**

- Achievement will be assessed based on the following:

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

Strategic Goals

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

- (#1) Comprehensive Mitigation Review – Deployment
- (#2) Improving Capacity Accreditation – Market Design Complete
- (#3) Internal Controllable Lines – Market Design Concept Proposed
- (#4) Dynamic Reserves – Market Design Concept Proposed
- (#5) Microsoft 365 Enhancements - Deployment
- (#6) ACC Control Room Renovation - Deployment
- (#7) Outage Management System - Deployment

Strategic Goals

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

- **(#1) Comprehensive Mitigation Review – Deployment**

The NYISO will implement Buyer-Side Mitigation reforms as approved by stakeholders and the NYISO Board of Directors, and filed with the FERC in 2021 and accepted by FERC in 2022.

The 2022 deliverable for this project is Deployment.

Strategic Goals

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

- (#2) Improving Capacity Accreditation – Market Design Complete
Continuing with the Capacity Accreditation portion of the Comprehensive Mitigation Review proposal, the NYISO will perform detailed review of scenarios to inform the procedures used to develop Capacity Accreditation Factors and include necessary procedures in NYISO documentation for review by stakeholders. The deliverable for 2022 is Market Design Complete.

Strategic Goals

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

- (#3) Internal Controllable Lines – Market Design Concept Proposed

This project will develop market concepts for treatment of internal controllable lines within the wholesale capacity and energy markets.

The project deliverable is a Market Design Concept Proposed and will focus on the types of Tier 4 internal controllable line projects considered and selected by New York State.

Strategic Goals

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

- (#4) Dynamic Reserves – Market Design Concept Proposed

Develop market concepts consistent with the recommendations from the study that was completed in 2021 that would facilitate more efficient setting and scheduling of operating reserves. The deliverable for this effort in 2022 will be Market Design Concept Proposed.

Strategic Goals

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

- (#5) Microsoft 365 Enhancements – Deployment

This project will expand the NYISO's adoption of Microsoft 365 cloud services, reducing the size of the NYISO's on-premise infrastructure footprint and the corresponding administrative overhead.

This project will provide access to new features and capabilities not available in an on-premise deployment, including security and information protection enhancements.

Strategic Goals

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

- (#6) ACC Control Room Renovation - Deployment

This project is to renovate the Alternate Control Room located at the Carman Road facility in Guilderland. Once this project is complete, the functional differences between the NYISO's Primary and Alternate Control Rooms will be eliminated. This will mitigate the Operational Risks currently present due to these functional differences.

Strategic Goals

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

- (#7) Outage Management System - Deployment

This new application, Outage Management System (OMS), utilizes a modern technology stack that is hosted in the vendor's data center, and will reduce the risk with implementing new functionality in the future. The NYISO commenced implementation of the OMS in Q4 2020 and will complete replacement of the applications with OMS in 2022.

Strategic Goals

Goal 6 Project Reprioritization Process

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

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

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

Strategic Goals

GOAL 7 – Distributed Energy Resources Participation Model – Deployment by December 31, 2022 (10%)

In 2022, the deliverable is Deployment. The NYISO will complete software development, testing, Market Participant sandbox testing, and deployment of necessary components for facilitation of DERs in the wholesale market to the production environment.

Strategic Goals

GOAL 8 – Complete the Class Year Study (5%)

- The NYISO will complete and present to stakeholders the final draft Class Year 2021 Facilities Study Report by:
- Achievement will be assessed based on the following :

	Threshold Payout (50%)	Target Payout (100%)	Superior Payout (150%)
Possible Achievement	5 Months from Receipt of all 1 st Draft Part 1 Study Results	4 Months from Receipt of all 1 st Draft Part 1 Study Results	3 Months from Receipt of all 1 st Draft Part 1 Study Results
	2.5%	5%	7.5%

Strategic Goals

GOAL 9 – Customer Satisfaction and Performance Index (5%)

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

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

Strategic Goals

GOAL 10 – Talent Acquisition and Retention (5%)

- The NYISO will demonstrate success in managing the challenges to talent acquisition and retention brought about by the post pandemic labor market by improving the following workforce metrics from the baseline as of 12/31/2021:

<u>Metric</u>	<u>Baseline</u>
Average Vacancy Rate	8.1%
Average Time to Fill Vacant Positions	81 Days
Average Retention Rate	87.6%
Talent Retention Rate	86.1%
Offers Accepted Rate	75.0%

- Achievement will be assessed based on the following:

	Threshold Payout (50%)	Target Payout (100%)	Superior Payout (150%)
Possible Achievement	3 of 5 Metrics Improved	4 of 5 Metrics Improved	5 of 5 Metrics Improved
	2.5%	5%	7.5%

Questions?