

2023 Corporate Incentive Goals – Final

Cheryl L. Hussey

VICE PRESIDENT & CHIEF FINANCIAL OFFICER

Budget & Priorities Working Group

March 29, 2023

*Updates from the November 9, 2022
BPWG Presentation are noted 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

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 Continuity of Bulk Power System**
 - No uncontrolled loss of load as the result of a cascading outage on the NY Bulk Power System originating from an applicable NERC criteria contingency on the NY Bulk Power System consistent with applicable reliability criteria
 - 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

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 Comprehensive Reliability Plan by 12/31
- DAM schedules posted in time for Real-Time but after 11AM Tariff deadline

Quality Goal

GOAL 5 Quality Focus Continued

- Achievement will be assessed based on the following:

	Threshold Payout (50%)	Target Payout (100%)	Superior Payout (150%)
Higher Impact Defects	No more than one <i>and</i>	None <i>and</i>	None <i>and</i>
Lower Impact Defects	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.

Strategic Goals

Strategic Goals

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

- The NYISO will deliver the (30~~2~~) major projects identified in the Business Plan during 2023.
- Achievement will be assessed based on the following:

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

Strategic Goals

GOAL 6 Project Initiatives

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

Possible Achievement	Threshold Payout (50%)	Target Payout (100%)	Superior Payout (150%)
	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) Interconnection Process Enhancements – Market Design Complete
- (#2) Improving Capacity Accreditation – Deployment
- (#3) Internal Controllable Lines – Market Design Complete
- (#4) Dynamic Reserves – Market Design Complete
- (#5) Balancing Intermittency – Market Design Concept Proposed
- (#6) Distributed Energy Resources Participation Model - Deployment
- (#7) Demand Curve Reset – Study Defined
- (#8) Network Infrastructure Upgrade - Deployment

Strategic Goals

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

- (#1) Interconnection Process Enhancements –
Market Design Complete

The project will study and identify opportunities for improvement to the interconnection process by working with key stakeholders (i.e., Interconnecting Developers, Transmission Owners, and NYISO Planning department). These identified opportunities will then be prioritized to create a plan that identifies a timeline for their implementation. The project will culminate in a final proposal for the enhancement of the interconnection process.

Strategic Goals

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

- (#2) Improving Capacity Accreditation – Deployment

Deploy software that supports the administration of the Capacity Accreditation rules approved by the FERC in 2022.

Strategic Goals

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

- (#3) Internal Controllable Lines – Market Design Complete

Build upon the 2022 Market Design Concept Proposed and develop the market rule changes that will be necessary to incorporate point-to-point internal controllable lines into NYISO markets and review those rules with the Business Issues Committee.

Strategic Goals

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

- (#4) Dynamic Reserves – Market Design Complete

Build upon the recommendations from the 2022 Market Design Concept Proposal and develop market rules changes to facilitate the initial set of required functionality. Review those rules with the Business Issues Committee.

Strategic Goals

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

- (#5) Balancing Intermittency – Market Design Concept Proposed

This effort will also assess existing market rules and will propose, if necessary, appropriate concepts for compensation mechanisms including the potential for new market products, such as ramping or new reserve products, or other market changes that incentivize attributes needed to support the changing grid and support reliability.

Strategic Goals

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

- (#6) Distributed Energy Resources Participation Model – Deployment

The 2023 deliverable will be deployments of required software consistent with the approved functional requirements that were developed, software to implement DER participation model rules accepted by the FERC on January 23, 2020 and needed functionality to sustain operation of the program for the 2024 summer capability period.

Strategic Goals

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

- **(#7) Demand Curve Reset (DCR)– Study Defined**

The 2023 project deliverables include selection of the independent consultant to perform study, release Demand Curve Reset schedule, develop, and propose, with considering stakeholder input, a recommendation of technologies to be studied as potential proxy units.

Strategic Goals

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

■ (#8) Network Infrastructure Upgrade - Deployment

A number of the NYISO's network infrastructure components are entering the vendor-mandated end-of-life state. As a result, the NYISO will no longer receive necessary security patches to mitigate new cyber risks and/or software bugs once that threshold has been passed. This project is a continuation of a multi-year effort to continue replacing outdated hardware with the objective of providing secure service delivery while modernizing and streamlining the NYISO's data centers in accordance with current industry best practices and vendor recommendations.

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 – Interconnection Process (15%)

- All Large Facility SRIS studies completed in 2023 will be conducted within the following average durations:
- Achievement will be assessed based on the following :

	Threshold Payout (50%)	Target Payout (100%)	Superior Payout (150%)
Possible Achievement	Average of 365 days	Average of 300 240 days	Average of 240 180 days
	7.5%	15%	22.5%

Strategic Goals

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

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

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

Strategic Goals

GOAL 9 – Professional Development (5%)

- **Fostering a learning culture will help enhance job satisfaction, provide development of essential skills, and a competitive advantage in alignment with NYISO’s mission. Participation in the following organization-wide programs centered on professional development will be expanded for this purpose:**
 - Leadership Academy
 - Mentoring Program
 - Job Rotation Program
- Achievement will be assessed based on the following:

Possible Achievement	Threshold Payout (50%)	Target Payout (100%)	Superior Payout (150%)
	276 Participants	359 Participants	442 Participants
	2.5%	5%	7.5%

Our Mission & Vision



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