

# POSSIBLE IMPROVEMENTS TO ANNUAL PROJECT PRIORITIZATION PROCESS

Presented by  
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On Behalf of  
The City of New York and  
Multiple Intervenors

Budget & Priorities Working Group  
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# PROBLEM STATEMENT

- The project prioritization process presently commences in March, before discussions have started on many projects, and well before progress has been made on most projects.
- Market participants are asked to vote on projects for the subsequent year in June, also before substantial progress has been made on many projects.
- For some projects, market participants must lobby for support for two or three years before any material progress is made on them.
- If a project is prioritized for one year, but the NYISO does not plan to commence work on it until late in the year, and the project is not prioritized for the subsequent year, it is possible that the previously-prioritized work will not occur or will be abridged - this is not appropriate.

# TIMING CONSIDERATIONS

- The NYISO commences its budget process for the subsequent year over the summer.
- An initial budget presentation is made to the BPWG and the MC in September.
- The budget is formally considered by the MC in October, and by the NYISO Board in November.
- There needs to be better coordination between the project prioritization process and the budget.
  - Historically, this coordination was achieved by completing the project prioritization process prior to commencing work on the budget.
  - Going forward, we propose a different form of coordination.

# PROPOSAL

- Our proposal is to change the timing when the project prioritization process occurs.
  - For markets projects, the amount to be included in the budget for the subsequent year would be established as part of the budget process in August to October, and the projects to be pursued within that budget would be determined in the fourth quarter.
  - For enterprise projects, the NYISO would continue to identify and select projects in time for their costs to be included in the development of the budget (we defer to the NYISO on whether the timing for this effort should be similarly adjusted).
- Historically, the total budget for markets projects has been in the range of \$11 to \$15 million (the 2024 budget is a bit higher). Therefore, we have a reasonable basis upon which to set the budget amounts.
- With this structure, decisions as to which projects should be considered continuing will be better informed, and over-use of the “continuing” designation can be avoided.
- An added benefit of this approach is that it will instill more discipline into the process as project selection will be driven by the budget rather than driving the budget.

# PROPOSAL DETAILS

- The NYISO proceeds with the budget process according to the schedule it has used historically.
- In the budget process, total amounts are developed separately for market projects and enterprise projects - they should not compete against each other.
- The cost of enterprise projects should be included as occurs now.
- For markets projects, the budget should be established based on an average of prior years' expenditures, or the prior year's amount plus some inflationary increment.
- The NYISO commences the prioritization process for market projects in September.

# PROPOSAL DETAILS

- Discussions on possible projects occur in September and October.
  - Less time to discuss projects should be needed because there should be a better sense of new tariff changes, products, etc. which should be pursued in the subsequent year.
  - Additionally, all projects prioritized for the current year should be in progress, and some to many should be far along in development, allowing for easier decisions as to which should be designated as “continuing.”
- The project prioritization vote would occur in early November.
  - At that time, substantial progress should have been made on all projects, market participants and the NYISO should have a better understanding of the projects which should continue to be pursued, those that can/should be abandoned or delayed, and new projects that are needed.
  - Such decisions should be much better informed than in the current process.



# PROPOSAL DETAILS

- As part of the prioritization process, the NYISO would provide:
  - a cost breakdown as it does now; and
  - a sense of how many projects each of its teams could accommodate over the course of the following year.
  - Market participants will be able to use the cost details to inform their scoring.
- Once the scores are tallied, the NYISO would provide a prioritized list as it does now.
- Then, the NYISO would select projects from the prioritized list based on its resource capabilities and the approved budget.
  - As needed, there could be some consultation with or input from market participants (e.g., if two or three projects are equally scored).
- The NYISO announces the results in December.
- Discussions should continue seamlessly into the subsequent year for projects designated as continuing or re-prioritized, with new projects added when appropriate.

## RELATED CONSIDERATIONS

- There would need to be some ability to accommodate differences between the approved budget amount and the total project costs, particularly if there are mandatory or other projects that must be pursued.
  - The NYISO's credit facilities could be used for this purpose.
- This approach would require revisions to the development of the NYISO's corporate incentive goals and associated discussions with market participants.
- Some NYISO work efforts would be compressed into the fourth quarter, an issue that must be further assessed.
- The time period for the project prioritization process would be reduced by a month or more.
  - The shorter period would be offset by market participants having greater familiarity with the current projects and need for new projects.



# Questions?

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