

2026 DRAFT

Corporate Incentive Goals

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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
- Changes relative to the 2025 goals are noted in red text for ease of review
- Changes relative to the 10/27/25 BPWG presentation are highlighted in yellow

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 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

Draft Quality Goal

Quality Goal

GOAL 5 Quality Focus (15%)

- **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 (RNA) 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 1	None	None
Lower Impact Defects	<i>And</i> 3 or fewer	<i>and</i> 2 or fewer	<i>and</i> No more than 1
Possible Achievement	7.5%	15%	22.5%

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 (35) major projects identified in the Business Plan during 2026.
- Achievement will be assessed based on the following:

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

Strategic Goals

GOAL 6 Project Initiatives

- Goal 6B – Key Project Initiatives (305%)
 - 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 & Integrating CHPE must be deployed	No more than 1 missed Key Project & Integrating CHPE must be deployed	No missed Key Projects
	15.07.5%	305%	4552.5%

Strategic Goals

GOAL 6 - Goal 6B Key Project Initiatives (305%)

- (#1) ICAP Demand Curve Reset Process & Methodology Improvements – Market Design Complete
- (#2) Balancing Intermittency - Deployment
- (#3) Integrating Champlain Hudson Power Express (CHPE) – Deployment
- (#4) Dynamic Reserves – Phase 1 – Development Complete
- (#5) Large Load Interconnection & Integration – Market Design Complete
- (#6) Winter Reliability Capacity Enhancements – Development Complete
- (#7) Hybrid Infrastructure Upgrade – Deployment
- (#8) Interconnection Cluster Study Process Improvement – Deployment

Strategic Goals

GOAL 6 - Goal 6B Key Project Initiatives

- **(#1) ICAP Demand Curve Reset (DCR) Process & Methodology Improvements – Market Design Complete**

This project will examine potential alternative methodologies and processes for determining the parameters used in establishing the ICAP Demand Curves with the goal of reducing the complexity and resource-intensity of the DCR and allowing the ICAP Demand Curves to continue to provide efficient and transparent price signals for resource entry and exit. Potential alternatives to examine may include, but are not limited to, leveraging existing publications of resource costs, changing the ICAP Demand Curve shapes and slopes, and/or using “empirical” net cost of new entry (CONE) to set reference point prices.

Strategic Goals

GOAL 6 - Goal 6B Key Project Initiatives Continued

- **(#2) Balancing Intermittency - Deployment**

The 2026 project goal is to reach the Deployment milestone for the Balancing Intermittency Uncertainty Reserve Requirement market design approved by stakeholders in 2024.

Strategic Goals

GOAL 6 - Goal 6B Key Project Initiatives Continued

- **(#3) Integrating Champlain Hudson Power Express – Deployment**

The objectives of this project are to build upon the 2025 work for this project, which include developing an operating protocol with Hydro Quebec and the U.S. owner/operator for the CHPE high-voltage direct current (HVDC) line, identifying needed software enhancements, and mapping out the timeline of changes needed to effectively integrate this facility into the NYISO's market systems and reliability tools.

The project deliverable for 2026 will be Deployment of the software required to incorporate the CHPE facilities into the New York Control Area.

Strategic Goals

GOAL 6 - Goal 6B Key Project Initiatives Continued

■ (#4) Dynamic Reserves – Phase 1 – Development Complete

Dynamic Reserves, as designed and approved by stakeholders in 2024, will enhance the current modeling by: (i) allowing the adjustment of the minimum operating reserve requirements based upon the single largest source contingency or the simultaneous loss of energy from the two largest contingencies, and (ii) accounting for transmission headroom when determining reserve needs within a constrained area. These enhancements could allow the scheduling of reserves above the minimum operating reserve requirements in areas where sufficient reserves are available and also the shifting of reserves to lower-cost regions when transmission capability exists. The dynamic reserve procurement methodology approved in 2024 could improve market efficiency through enhancing competition among suppliers and better aligning market outcomes with how the power system is operated.

Strategic Goals

GOAL 6 - Goal 6B Key Project Initiatives Continued

- **(#5) Large Load Interconnection & Integration – Market Design Complete**

The objective of this project is to improve the current load interconnection process to further address bulk system reliability concerns and speed up the overall load interconnection process to provide solutions for the unique issue presented by certain large load projects and accelerated timelines for project development and in-service dates. The NYISO will propose revisions to the load interconnection process and adjustments to the organizational structure (if needed) to sustain the improvement.

Strategic Goals

GOAL 6 - Goal 6B Key Project Initiatives Continued

- (#6) Winter Reliability Capacity Enhancements – **Development Complete**

In 2025, the Winter Reliability Capacity Enhancements project is enhancing the ICAP market to include seasonal requirements and corresponding changes to seasonal ICAP demand curves, resource participation elections, and capacity accreditation. To deploy software changes in time for the 2027-2028 Capability Year, in 2026, the NYISO will complete functional requirements, develop software specifications, and develop software for a Development Complete milestone.

Strategic Goals

GOAL 6 - Goal 6B Key Project Initiatives Continued

- (#7) Hybrid Infrastructure Upgrade – Deployment

This multi-year project is a continuation of 2025 project activities and includes two major efforts, 1) migration of commercial off the shelf software applications to the cloud, building off the experience of System Resource Planning applications currently running in the cloud and 2) migration of internally-developed applications to the cloud, taking advantage of containerization tooling and automated delivery pipelines currently being utilized for settlements and pricing data marts.

Strategic Goals

GOAL 6 - Goal 6B Key Project Initiatives Continued

- (#8) Interconnection Cluster Study Process Improvement – Deployment

This is a multi-year project focusing on the implementation of the new Cluster Study process changes and tools to support the interconnection study process. To meet the FERC Order No. 2023 requirement for a HeatMap, which is an interactive visual representation of estimated incremental injection capacity available at each point of interconnection to be posted publicly, the project will include the implementation of a vendor solution. Additionally, the project will deploy additional software changes to support enhancements that would increase the transparency and efficiency of the interconnection process.

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 – Evolve Reliability Planning to Address Uncertainty and Enable Supply-Side Solutions (10%)

Implement enhancements to the Reliability Planning Process to (1) incorporate uncertainty and sensitivity analysis and (2) further enable supply-side solutions for reliability needs.

Achievement will be assessed based on the following :

Possible Achievement	Threshold Payout (50%)	Target Payout (100%)	Superior Payout (150%)
	By May 31, 2026, present to the Operating Committee a revised Reliability Planning Process Manual to consider uncertainty and sensitivity analysis in the identification of Reliability Needs	Achieve Threshold, plus present process concepts for stakeholder review by October 31, 2026 to allow designation of supply-side solutions to timely address Reliability Needs where transmission alone is insufficient	Achieve Target, plus present tariff and manual revisions (as applicable) for a stakeholder vote by December 31, 2026 to allow designation of supply-side solutions to timely address Reliability Needs where transmission alone is insufficient
	5%	10%	15%

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 98 – Interconnection Deliverability Study (10%)

Complete the Additional System Deliverability Upgrade (SDU) Studies in time to inform interconnection customers in the Transition Cluster Study and avoid termination of the study.

Achievement will be assessed based on the following:

Possible Achievement	Threshold Payout (50%)	Target Payout (100%)	Superior Payout (150%)
	Deliver the draft NYISO-led Additional SDU Study report(s) to the Operating Committee for approval prior to termination of the Additional SDU Studies or no later than 12/31/2026, whichever comes first.	Achieve Threshold and deliver the draft NYISO-led Additional SDU Study report(s) to interconnection customers for comments within 25 days following the commencement of the Transition Cluster Study Final Decision Period.	Achieve Threshold and deliver the draft NYISO-led Additional SDU Study report(s) to interconnection customers for comments prior to the commencement of the Transition Cluster Study Final Decision Period.
	5%	10%	15%

Strategic Goals

GOAL 109 – Microsoft M365 Co-Pilot Training & Workforce Enablement (5%)

Successfully train and empower employees with the necessary skills and knowledge to leverage AI’s full capabilities for enhanced collaboration, productivity, and data security.

Achievement will be assessed based on the following:

Possible Achievement	Threshold Payout (50%)	Target Payout (100%)	Superior Payout (150%)
	100% of employees attend training and complete training of Co-Pilot Champions Implement AI-enhanced use case in at least three business functions Weekly Co-Pilot usage averages 40% for the last quarter of 2026	100% of employees attend training and complete training of Co-Pilot Champions Implement AI-enhanced use case in at least six business functions Weekly Co-Pilot usage averages 50% for the last quarter of 2026	100% of employees attend training and complete training of Co-Pilot Champions Implement AI-enhanced use case in at least nine business functions Weekly Co-Pilot usage averages 60% for the last quarter of 2026
	2.5%	5%	7.5%

Our Mission and 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



Questions?