

2019 Approved Corporate Incentive Goals

Emilie Nelson

Vice President, Market Operations

Budget and Priorities Working Group

March 27, 2019, Krey Corporate Center



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 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 is responsible for approving the goals identified in the Annual Incentive Plan
- The Board approved the 2019 Corporate Incentive Goals on November 13, 2018
 - There were no changes from the goals presented to the BPWG on October 31, 2018

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.

Quality Goal

Quality Goal

GOAL 5 Quality Focus (25%)

- **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 with an impact greater than \$1M
- Unplanned outages of critical systems greater than eight hours
- A qualified audit opinion on the Service Organization Controls (SOC 1) Report

Lower Impact Defects Include:

- A market problem or a tariff violation with an impact greater than \$100K, excluding those that are self identified
- Unplanned outages of critical systems greater than 1 hour and less than 8 hours
- Failure to timely provide key Planning deliverables. The Gold Book will be posted for stakeholders no later than 4/30. As part of the Comprehensive Reliability Plan, the NYISO will deliver the Viability & Sufficiency Assessment (VSA), if required, by December 31, 2019. If the VSA is not required, the NYISO will deliver the complete Comprehensive Reliability Plan (CRP) to the Board of Directors by December 31, 2019.
- DAM schedules posted in time for Real-Time but after 11AM Tariff deadline
- Note: EMS/BMS project related lower impact defects identified during the 1000 hour post go-live period will be excluded from the goal, unless the defects reach a magnitude detrimental to operations.



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	9 or fewer	4-6	3 or fewer
Possible Achievement	12.5%	25%	37.5%

Note: If there is one Higher Impact Defect then Threshold is the maximum achievement possible and can only be achieved if there are fewer than 9 Lower Impact Defects.

Strategic Goals

Strategic Goals

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

- The NYISO will deliver the (20) major projects identified in the Business Plan during 2019.
- Achievement will be assessed based on the following:

	Threshold Payout (50%)	Target Payout (100%)	Superior Payout (150%)
Possible Achievement	No more than 4 missed projects	No more than 3 missed projects	No more than 2 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:

	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. EMS/BMS must be deployed by Oct. 1st.	No missed Key Projects
	15%	30%	45%

Strategic Goals

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

- (#1) EMS/BMS Upgrade – Deploy by October 1st
- (#2) Carbon Pricing – Market Design Complete
- (#3) Energy Storage Resource Participation Model – Development Complete
 - Pending FERC acceptance of request for extension
- (#4) More Granular Operating Reserves – Market Design Complete
- (#5) Enhancing Fuel & Energy Security – Study and Recommendations
- (#6) Enterprise Information Management Data Integration Phase IV – Complete Migration of Pricing DataMart

Strategic Goals

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

■ (#1) EMS/BMS Upgrade – Deploy

This is a multi-year project to upgrade both the Energy Management System (EMS) and the Business Management System (BMS). The EMS encompasses the core reliability functions used by the system operators such as load flow and contingency analysis. The BMS encompasses the day ahead and real time energy market functionality. In this phase for 2019, achievement will be measured based on the NYISO completing the following deliverables:

- Complete all site acceptance and parallel testing necessary for system go-live readiness
- Deploy production environments of new EMS/BMS platform in preparation for go-live
- Complete EMS/BMS Workstation Upgrade and PI System Upgrade projects
- Deploy by October 1st

Note: Specific deployment dates must be managed in consideration of system conditions. If weather or grid operating conditions necessitate a minor delay from the targeted go-live of October 1st, this goal will still be considered to be achieved on-time.

Strategic Goals

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

■ (#2) Carbon Pricing – Market Design Complete

In 2017, the Brattle Group published a report detailing how pricing carbon into NYISO's wholesale markets could help to harmonize the wholesale markets and New York State's public policies. The Integrating Public Policy Task Force (IPPTF) then worked to analyze the mechanics and benefits of incorporating carbon pricing into the NYISO's wholesale markets and further the proposal. In 2019, the project will continue the vetting of wholesale market concepts for incorporating the cost of carbon into the NYISO's wholesale markets through the NYISO working group process. Achievement of this goal in 2019 will be measured as follows:

- Market Design Complete

Strategic Goals

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

■ (#3) Energy Storage Resource Participation Model – Development Complete

In 2019, the Energy Storage Resource project will continue to develop a participation model tailored to Energy Storage Resources (ESRs) as required by FERC Order No. 841. The ESR participation model will capture the unique operational characteristics of ESRs, including their ability to withdraw from and inject energy onto the grid, and establish rules for participation in the NYISO's Energy, Capacity, and Ancillary Services markets. Achievement of this goal will be measured as follows:

- The NYISO will develop the software code for the ESR participation model consistent with its compliance filing.

Note: The NYISO anticipates requesting in its compliance filing to FERC an implementation date of February 2020.

■ (#4) More Granular Operating Reserves – Market Design Complete

The NYISO will develop a market design to establish and secure a distinct 10-minute reserve requirement for New York City within the Day-Ahead and Real-Time markets. This effort will also explore potential enhancements to ensure there are sufficient load pocket reserves. Achievement of this goal in 2019 will be measured as follows:

- Market Design Complete

Strategic Goals

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

■ (#5) Enhancing Fuel and Energy Security – Study and Recommendations

Examine Fuel and Energy Security for the bulk power system looking over a ten-year horizon in order to assess potential grid resilience concerns. Evaluate the impact of future changes to New York's fuel supply mix and increased demands for natural gas on the ability to meet electric system demands under stressed system conditions. Also review similar fuel and energy security studies and initiatives underway by other ISOs/RTOs. Recommendations for operational, capacity market and energy market enhancements will also be identified as necessary to achieve desired improvements in grid resilience as related to fuel and energy security.

Achievement of this goal in 2019 will be measured as follows:

- Completion of Study and Propose Recommendations

■ (#6) Enterprise Information Management Data Integration Phase IV – Complete Pricing DataMart Migration

The Enterprise Information management initiative is a multi-year strategic initiative. This phase of the project will migrate the Pricing DataMart from the Oracle Warehouse Builder to a contemporary software platform that will meet business and stakeholder needs. Achievement of this goal in 2019 will be measured as follows:

- Complete migration of the Pricing DataMart

Strategic Goals

Goal 6 Project Reprioritization Process

Reprioritization Process – If reprioritization of Project Initiatives is required a presentation to the Board 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 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 provides definitive direction not to implement the reprioritization effort or recommends an alternate approach regarding the incentive plan.

Strategic Goals

GOAL 7 – Customer Satisfaction and Performance Index (10%)

- 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	83.5% Result	84.5% Result	86% Result
	5%	10%	15%

Strategic Goals

GOAL 8 – Cost Management (5%) NYISO will manage annual operating cost to a level below the approved annual Rate Schedule 1 Revenue Requirement (\$) while achieving the 2019 project commitments in the Business Plan.

- Achievement will be assessed based on the following relative to budget:

	Threshold Payout (50%)	Target Payout (100%)	Superior Payout (150%)
Possible Achievement	1.5% below	2.5% below	3.5% below
	2.5%	5%	7.5%

Strategic Goals

GOAL 9 – Professional Development and Workforce Management (5%)

- NYISO’s employees are critical to achieving the organization’s mission. This goal will establish adequate bench strength and ensure necessary professional development is in place for effective management succession. These measures will be achieved by leveraging succession planning and development planning tools, including but not limited to performance management, mentoring, job rotation, and cross training. Success in this area will ultimately provide the most effective NYISO workforce and ensure leadership continuity into the future.
 - Achievement will be assessed based on the following :

	Threshold Payout (50%)	Target Payout (100%)	Superior Payout (150%)
Possible Achievement	Refresh/establish comprehensive succession plans to identify successors, complete a skills gap analysis, and establish development plans across the VP/Director level.	Extend Threshold objectives through the Senior Manager/Manager level.	Extend Threshold objectives through the Supervisor level.
	2.5%	5%	7.5%

The Mission of the New York Independent System Operator is to:

- Serve the public interest and
- Provide benefit to stakeholders by
 - Maintaining and enhancing regional reliability
 - Operating open, fair and competitive wholesale electricity markets
 - Planning the power system for the future
 - Providing factual information to policy makers, stakeholders and investors in the power system



www.nyiso.com

