



ISO New England Inc.

Financial Results September 2024

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September Financial Results for Year End 2024

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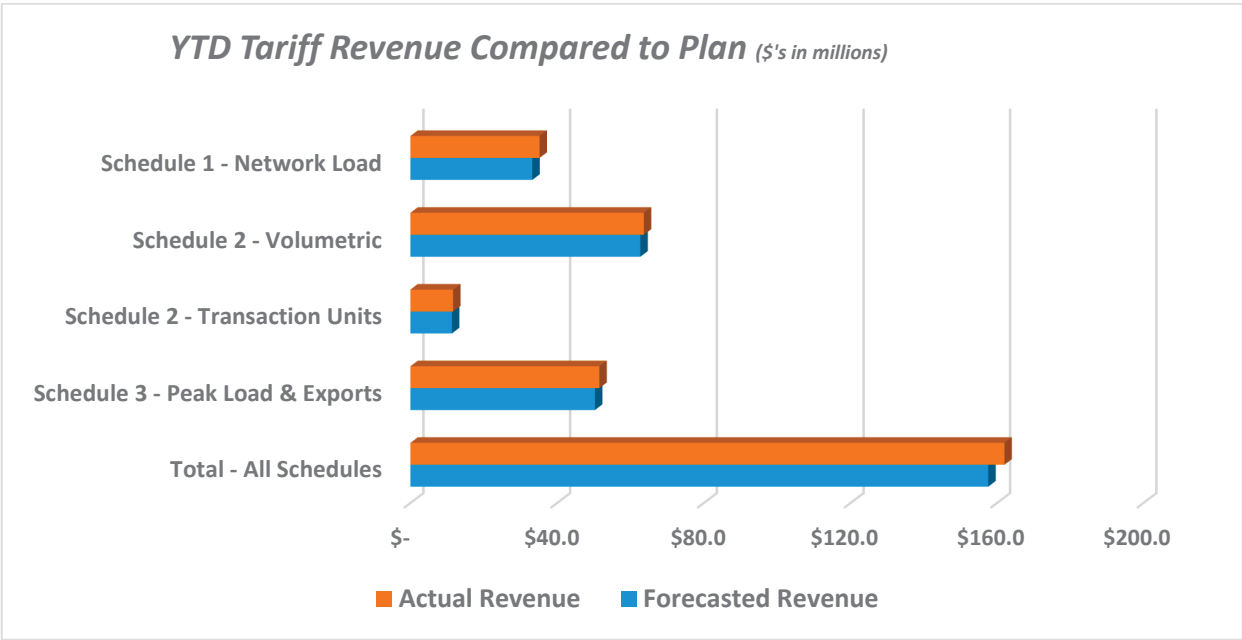
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Executive Summary – September 2024

ISO Tariff Revenue amounts through August 2024 are \$2,354,300, or 1.1% higher than amounts filed in the 2024 tariff. This variance was driven by higher than forecasted load volumes for all three tariff schedules.



The current CEO Emerging Work Allowance is \$9,467,100, an increase of \$7,467,100 from the original approved budget of \$2,000,000. The CEO Emerging Work Allowance is used to fund activities that require additional funding from what was initially planned during the budgeting cycle. Additional funding needs can arise as a result of refined estimates for work, new activities, or changes in accounting estimates. Conversely, to the extent that changes result in an “under” expenditure, the CEO Emerging Work Allowance is increased. Increases and decreases to the Emerging Work Allowance are summarized on page 3 with detailed explanations following the summary. Requests for funds from the Emerging Work Allowance are reviewed by senior management, and require CFO and CEO approval prior to the spending authorization.

Significant decreases have occurred in some budgeted line items, as noted below, that management has partially reallocated where practical to improve operations in line with our strategic goals. Salaries and Overheads decreases contributed to the CEO Emerging Work Allowance by \$3,479.6K primarily for vacancy, equity/promotion savings as a result of timing of survey data increases, for a correction in the allocation amounts to capital development and reimbursable studies, lower salary rates for replacements, and lower post-retirement medical and dental contributions. Management has utilized some of the reduced spending by authorizing the early recruitment and onboarding of several 2025 positions to facilitate work priorities. Professional Fees & Consulting decreases contributed to the CEO Emerging Work Allowance by \$1,849.6K due to the acceleration in 2023 of prompt/seasonal capacity market assessment work; FCM parameter updates and other FCM related work that was no longer needed due to the FERC approved two-year auction delay; other Market Development and Transmission Planning study savings; and higher Information Technology consultant vacancy. The Professional Fees & Consulting savings was partially utilized to fund other emerging work, as noted in Professional Fees & Consulting section on page 3 including System Operations related studies, and planning for the relocation of some staff to our Windsor campus. Other Income contributed to the CEO Emerging Work Allowance by \$1,210.7K due to higher than budgeted interest rates on operating and settlement funds, and interest earned on \$25M inflow from the issuance of the \$75M in private placement debt. The ISO took partial funding of the private placement debt in August because it locked in a rate for the debt that was lower than the cost to

borrow on the working capital line. These funds were used to pay down the line of credit and remaining funds were invested in a money market account. Additionally, the Company anticipated a large withdrawal of monies from System Planning deposits as a result of the changes within FERC Order 2023 but the delay in issuing that order has resulted in higher cash flow and ability to invest those monies into a money market account. Computer Services contributed to the CEO Emerging Work Allowance by \$935.3K due to not renewing end of life products no longer being used or being replaced with newer technology as part of capital budget spending, as well as lower renewal costs on existing products due to negotiation. Details of the above items along with other changes can be found on pages 3-5. While utilizing the noted savings above, where advantageous, the lower than budgeted spending will be returned to ratepayers in the 2026 revenue requirement.

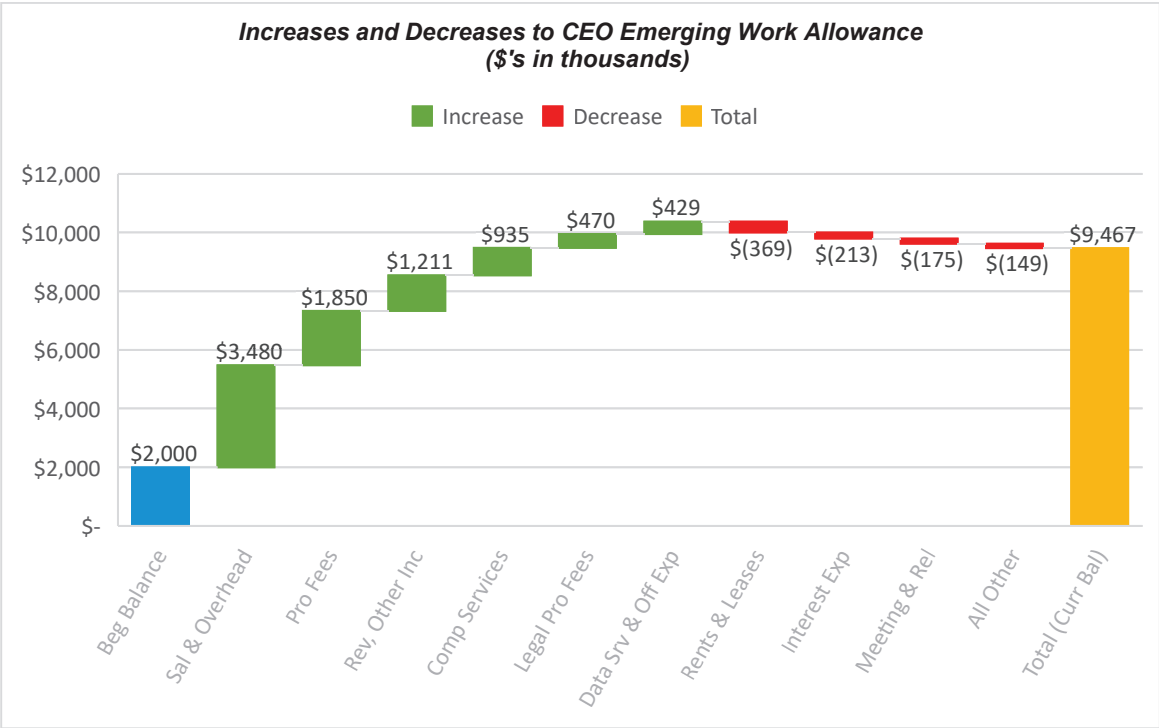
Management's Discussion

Revenue Adequacy

The year-to-date 2024 budget to actual results reflects sufficient funding available for unplanned items, including the balance in the CEO Emerging Work Allowance and the Board Contingency for the remainder of the year. The combination of these is \$10,167,100. Additional opportunities are projected in certain areas that would increase these contingency balances, above the current amount, by year's end. Annual Tariff Revenues through August 2024 are \$2,354,300 or 1.1% above the filed amounts. Also included in the Revenue Adequacy determination, is the available balance of the Company's working capital line, which through September 30, 2024, was sufficient to meet any borrowing needs.

Forecast vs. Budgeted Expense

The CEO Emerging Work Allowance is used to support activities that require additional funding from what was planned during the budgeting cycle. To the extent a budgeted item will not be utilized, the funds are relinquished, and the balance of the CEO Emerging Work Allowance is increased. Approved changes that have required funding from or returned funding to the allowance are as follows:



Significant operating budget changes, including items in the above chart, include the following and are shown in order based on the operating expense schedule on page 8.

Salaries and Overheads

Salaries and Overheads are currently forecasted \$3,479,600 below the original budget of \$158,208,500. Decreases include \$766,800 for vacancy that includes a partial offset due to approval for early hiring of some 2025 budgeted positions,¹ \$708,100 for timing of equity and promotion increases including impact of implementing compensation survey data changes, \$658,100 in merit and promotional funds due largely to correction in the allocation of funds to capital development/reimbursable studies, \$509,800 resulting from lower employee pay rates than previous incumbents, \$358,000 for higher internal capital development, \$280,000 for lower Post-Retirement Medical and Dental Contributions based on actuarial updates, and \$160,900 reduced medical due to employee plan elections for 2024.

Professional Fees & Consulting

Professional Fees & Consulting decreased \$1,849,600 from the original budget of \$26,080,100. Significant decreases include the reduction of funds for prompt/seasonal capacity market assessment work due to the work previously being accelerated into the second half of 2023, removal of FCM parameter updates and other auction related costs due to the FERC approved two-year auction delay, removal of Medium-Term Energy Adequacy consultant funding, higher vacancy for consultants augmenting Information Technology staff, and reductions in the costs of several System Planning studies due to quotes coming in

¹ Higher vacancy of approximately \$1.6M has been realized, however, management has utilized approximately \$0.8M to fund early hiring of several 2025 budgeted positions where available to support business unit initiatives.

less than estimated. Increases, partially offsetting the decreases, include the addition of a northeast gas study being done in coordination with the Northeast Power Coordinating Council, a study to establish “facility out” transfer capability for operation of the Northern New England power system with the planned New England Clean Energy Connect (NECEC) project, ESG Reporting work that started later than expected in 2023 and carried over to 2024, funding for consultants to assist with the relocation of some ISO staff from Holyoke to our Windsor campus, and funding for FinOps managed services that will monitor our cloud operations to increase cloud efficiency in a cost effective manner.

Legal Professional Fees & Consulting

Legal Professional Fees & Consulting decreased \$469,500 from the original budget of \$3,177,000. Decreases are the result of a reduction for regulatory counsel support due to lower need to use outside resources.

Building Services

Building Services have increased \$130,500 from the original budget for various facilities maintenance and repairs and due to higher utility costs as a result of an increase in rates at the Windsor facility due to CT Public Utility Regulatory Authority approving new rates effective July 1 and another increase effective September 1.

Rents & Leases

Rents and Leases increased \$368,500 from the original budget due to server leases for infrastructure refreshing that is expected to take place in tranches over the next several years and the lease for land adjacent to the Holyoke facility. Increases were partially offset by a reduction in desktop equipment leases.

Network Operations

Network Operations have increased \$180,700 from the original budget. Increased expenses include higher rates associated with older communications equipment that the ISO is in the process of replacing with newer technology and additional communication circuits from the control room to Market Participants. The increased costs were partially offset by a control room recording system being moved to Computer Services where it is more appropriately classified.

Computer Services

Computer Services costs decreased \$935,300 from the original budget. Decreased expenses include the removal of 2024 maintenance costs for our current Enterprise Resource Planning (ERP) system due to our vendor waiving these fees during the development and conversion to their current platform that is in process as part of the ERP System Replacement project; the non-renewal for end of life products no longer being utilized and/or being replaced including various data domain, storage hardware, backup analytics, and infrastructure items; lower Energy Management and Market System as-needed support; and savings based on actual quotes on renewals across several products. The reduced costs were partially offset by an increase due to new software maintenance from the 2023 capital purchase of firewall maintenance under the CIP Electronic Security Perimeter Redesign Phase II project; a control room recording system being moved from Network Operations to Computer Services, where it is more appropriately classified; and the addition of licensing fees for short-term load forecasting.

Data Services & Office Expenses

Data Services & Office Expenses are currently forecasted \$428,600 below the original budget. The reductions are a result of a new security scanning subscription that will not renew until 2025, removal of System Planning load forecasting dataset subscriptions, removal of two market monitoring data subscriptions that will not be needed in 2024 due to delay of FCA 19, and a reduction of copier usage and office supplies across the organization.

Insurance Expense

Insurance Expense is currently forecasted \$100,200 below the original budget due to lower than forecasted insurance policy renewals including directors & officer policies, cyber, and various other lines.

Meeting & Related Expenses

Meeting & Related Expenses are currently forecasted \$175,400 above the original budget. Increases include travel for Cyber Security staff conferences, stakeholder meetings and employee development, and small increases across several other areas of the organization.

Revenues, Other Income

Revenues and Other Income have increased \$1,210,700 due to higher than budgeted interest rates on operating and settlement funds, and interest earned on \$25M inflow from the issuance of the \$75M in private placement debt. The ISO took partial funding of the private placement debt in August because it locked in a rate for the debt that was lower than the cost to borrow on the working capital line. These funds were used to pay down the line of credit and remaining funds were invested in a money market account. Additionally, the Company anticipated a large withdrawal of monies from System Planning deposits as a result of the changes within the FERC Order 2023 but the delay in issuing that order has resulted in higher cash flow and ability to invest those monies into a money market account.

Interest Expense

Interest Expense is currently forecasted \$212,900 above the original budget. The increase is due to higher rates on tax-exempt debt from the original budget as well as a higher forecasted increase for new private placement debt issued in Q3 2024. The increase is partially offset by higher than forecasted cash on hand, as a result of earlier than budgeted borrowing of \$25M private placement notes allowing for a pay down of working capital line borrowings.

Depreciation

Depreciation is currently forecasted \$752,000 below the original budget. The decrease is due to lower hardware spending in 2023 and various changes in 2024 capital project spending and go-live dates. These decreases were offset by changes in projects that were in the planning phase when the 2024 budget was created and have since been completed or in a chartered phase resulting in change.

Gain/Loss Fixed Asset Disposal

This account is currently forecasted at \$386,500 which is \$326,500 above the original budget. The increase is due primarily to the disposal of most costs related to the Resource Capacity Accreditation (RCA) project, as this work has been discontinued in lieu of RCA being incorporated into Capacity Auction Reform efforts and the planned move to a prompt/seasonal auction format that is in the initial design stage. In consultation with RCA project management, most project spending efforts did not result in any viable product that had a future use, with the exception of a System Planning tool that will be used for wind/solar output data and was written off.

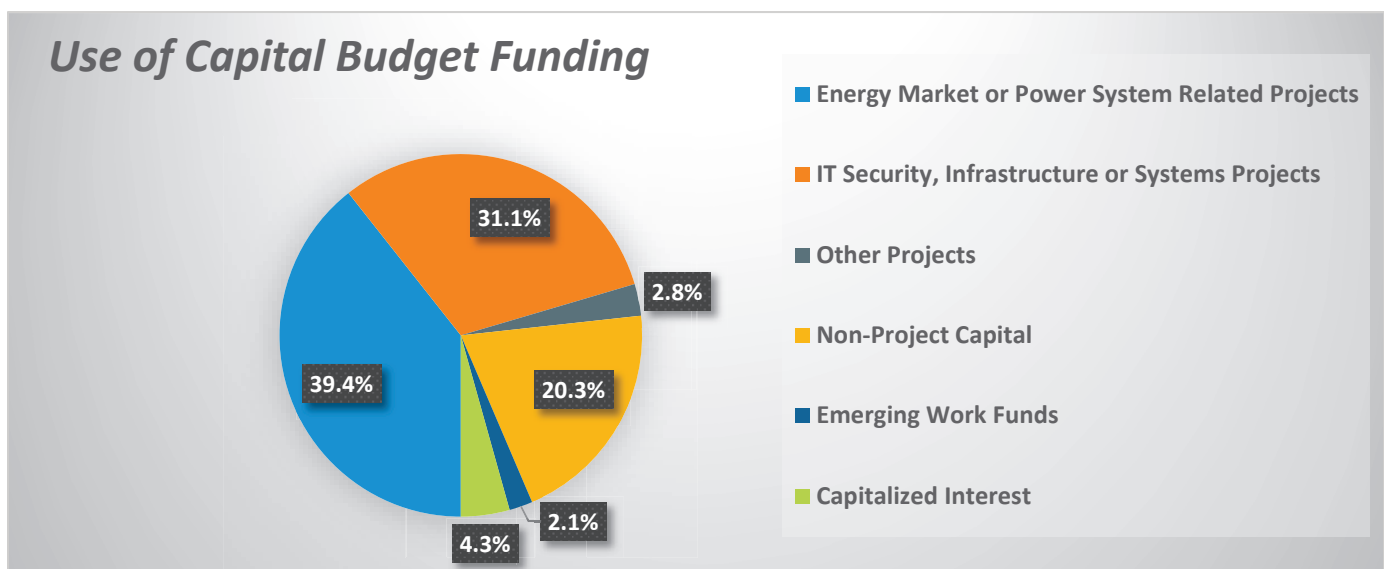
Capital Expenditures

Capital expenditures through September totaled \$21,306,000. The \$35,000,000 capital expenditure forecast for 2024 includes \$21,827,000 for chartered projects; \$4,663,000 for projects in planning/conceptual design, including \$719,600 for emerging work; \$7,010,000 for non-project capital; and \$1,500,000 for interest and loan fees allocated to in-progress projects.

Capital budget allocations can shift due to organizational priorities, regulatory requirements, or resourcing constraints. Projects in the planning and conceptual design phase are fluid and amounts included in the original budget are high level/low confidence and represent the best estimate as to how and when funds will be spent at that point in time. Once a project is chartered, and the scope of work is well defined, budget amounts are better known and represented, however, shifts between years can occur.

Significant increases in project spending from the original 2024 capital budget include \$683,600 for Managing Transmission Line Ratings due to shifting funds from 2025 to 2024. Other increases include \$1,157,800 for the Day-Ahead Ancillary Services Benchmark Levels project, \$801,500 for the FERC Order 841 project, \$555,900 for the Automatic Ring Down Circuit Continuity Modernization and Reliability Enhancements project, \$420,100 for Space Utilization Project Phase I, and \$351,900 for the Network Modeling Tool Enhancements project, all of which were not included in the original budget.

Decreases from the original budget include \$2,035,400 for the nGEM Software Development Part III project because a portion of the work has been deferred from 2024 to 2025 due to an update in GE work stream schedule; \$1,112,100 for the nGEM Real-Time Market Clearing Engine Implementation project due to shifting funds from 2024 to 2025; \$1,063,900 for the CIP Electronic Security Perimeter Redesign Phase II project which has been chartered with a refined, lower project cost; \$913,700 for Solar Do-Not-Exceed Dispatch Phase II due to deferring some of the associated work to phase III of the project which will be chartered in 2025; \$548,800 for the Resource Capacity Accreditation project due to the delay in FCA 19 and the incorporation into future Capacity Auction Reform efforts; \$530,900 for Operating System Server Upgrade Phase I due to a refined, lower project cost; \$500,000 for the Privileged Account Management Security Enhancements Phase II project due to implementation date deferral because of resource constraints; \$500,000 for FERC Order 2222, as implementation of this project has been deferred to a later date due to resource constraints; and a \$488,800 for the 2024 Issue Resolution project due to resource constraints resulting in a reduced project scope.



Non-project capital expenditures fund the internal capitalized labor necessary to code System Improvement Requests, also known as “SIRs.” The SIRs are generally a result of requests from Market

Participants and the ISO's operational groups to improve system functionalities. Non-project capital expenditures also fund hardware, software, and furniture and fixture purchases. Non-project capital totals \$7,010,000, an increase of \$1,676,000 from the original budget of \$5,334,000. The increase in non-project capital is primarily for infrastructure upgrade needs and video conference enhancements.

The current full portfolio of 2024 capital projects can be found on pages 9 - 10. Project descriptions, for chartered projects, can be found in the ISO-NE quarterly Capital Funding Tariff (CFT) filing that corresponds to the quarter in which a project charter was approved. The most recent quarterly CFT filing can be viewed at [Q3 2024 Capital Budget Filing](#).

Cash Flow / Capital Adequacy

The ISO has a \$40 million working capital line to fund temporary operating cash flow needs, which went into effect on March 1, 2024 and expires in March 2028. The working capital line is available to fund temporary operating cash flow needs such as when operating budget revenues are collected approximately a month and a half in arrears from the month in which the expenditures occur as well as certain times during the year when an annual payment must be made for an item that is expensed evenly throughout the year, creating a need to increase the level of borrowing on the line (e.g., insurance payments). In addition to the temporary operating cash flow needs, the working capital line also covers cash flow risks, including lower than projected load driving decreased Tariff collections, capital budget spending variations based on project go-live dates, and more recently the issuance of FERC Order 2023 which may increase withdrawals of system impact studies (i.e., reducing cash available to the ISO). The five-year cash flow projections indicate that the \$40 million line will be sufficient in the short-term to fund the ISO's ongoing operating needs. The Notes, which include debt offerings of \$39 million and \$11 million require interest only payments until full payment of principal is due for both in November 2024. In June 2024 management made a Section 204 filing, which was approved by FERC in July, to increase the Notes from \$50 million to \$75 million to cover the increase in capital spending. Management has drawn down \$25 million of the new private placement and will draw down the remainder in November 2024 to pay off the expiring notes.

The current letters of credit supporting the tax-exempt debt on the Holyoke and Windsor campus facilities are evergreen, unless canceled. The current lender has confirmed that both letters of credit will not expire until at least August and December of 2027, respectively.

Operating Expense Forecast

2024 Operating Budget and Debt Service for Tariff Recovery Consolidated

(Dollars in Thousands)

Description	Annual		
	Current Year End Forecast	Board Approved Budget	Incr/(Decr)
Operating Expense			
Salaries and Overheads	\$ 154,728.9	\$ 158,208.5	\$ (3,479.6)
Professional Fees & Consulting	24,230.5	26,080.1	(1,849.6)
Pro Fees & Consulting (Legal)	2,707.5	3,177.0	(469.5)
Building Services	3,560.8	3,430.3	130.5
Rents & Leases	1,149.3	780.8	368.5
Network Operations	3,832.8	3,652.1	180.7
Computer Services	24,437.5	25,372.8	(935.3)
Data Services & Office Expenses	1,828.6	2,257.3	(428.6)
Insurance Expense	3,293.5	3,393.8	(100.2)
Board of Directors Expense	1,540.0	1,606.5	(66.5)
Meetings & Related Expenses	1,686.8	1,511.4	175.4
Education & Training	1,324.1	1,332.0	(7.9)
Taxes, Permits, Licenses & Fees	258.0	240.4	17.6
Total Operating Expense	224,578.3	231,042.9	(6,464.6)
Revenues, Other Income	(2,127.9)	(917.2)	(1,210.7)
Operating Expenses net of Revenue	222,450.3	230,125.6	(7,675.3)
CEO Emerging Work Allowance	9,467.1	2,000.0	7,467.1
Board Contingency	700.0	700.0	-
NPCC/NERC Dues & Expense	8,047.8	8,052.4	(4.7)
Interest Expense	3,672.1	3,459.1	212.9
Net Expense Before Depreciation	244,337.2	244,337.2	0.0
Depreciation Expense	31,747.5	32,499.5	(752.0)
Gain/Loss Fixed Asset Disposal	386.5	60.0	326.5
Total Depreciation	32,134.0	32,559.5	(425.5)
Tariff Expense for ACT Recovery	\$ 276,471.2	\$ 276,896.7	\$ (425.4)

Capital Forecast 2024 – All Capital Spending

(Dollars in Thousands)

<u>Description</u>	Actual Spending Current YTD	Forecast Current Year Cost to Complete	Forecast Current Year Total	Original 2024 Budget*
Furniture/Fixtures/Building/Property Improvements	\$ 25.9	\$ 274.1	\$ 300.0	\$ 300.0
Hardware/Software	1,159.8	2,740.2	3,900.0	2,534.0
SIR'S:				
. Internal Capital Development	722.6	527.4	1,250.0	1,250.0
. External Capital Development	892.1	667.9	1,560.0	1,250.0
Non-Project Capital Spending	2,800.4	4,209.6	7,010.0	5,334.0
Capital Projects - Approved Charters				
. nGEM Real-Time Market Clearing Engine Implementation	2,983.0	1,904.9	4,887.9	6,000.0 P
. Day-ahead Ancillary Services Improvements	2,797.5	714.1	3,511.6	3,811.6 C
. Managing Transmission Line Ratings	2,764.7	1,218.9	3,983.6 [1]	3,300.0 P
. CIP Electronic Security Perimeter Redesign Phase II	771.2	164.9	936.1	2,000.0 P
. nGEM Software Development Part III	291.2	173.4	464.6	2,500.0 C
. FERC Order 841	93.7	707.7	801.5	-
. Operating System Server Upgrade Phase I	635.1	49.4	684.5	1,215.5 C
. EMS Short-term Load Forecast Replacement	675.6	183.0	858.6	371.1 C
. CAMS Application Software Technology Upgrade	337.9	137.8	475.7	-
. Network Modeling Tool Enhancements	195.4	156.4	351.9	-
. Day-ahead Ancillary Services Benchmark Levels	1,038.6	119.2	1,157.8	-
. IT Asset Workflow Integration and Updates	439.6	-	439.6	238.0 C
. Forward Capacity Market Order 2222	81.1	-	81.1	-
. Automatic Ring Down Circuit Continuity Modernization and Reliability	459.0	96.9	555.9	-
. Microsoft 365 Service Adoption	290.2	326.9	617.2	1,000.0 P
. Internal Market Monitoring Data Analysis Phase IV	232.1	-	232.1	519.0 C
. 2024 Issue Resolution Project	511.2	-	511.2	1,000.0 P
. Other Projects <\$500K (13 projects)	807.6	468.7	1,276.3	979.7
Sub Total Projects with Approved Charters	15,404.9	6,422.1	21,827.0	22,934.8
Planning/Conceptual Design				
. FERC Order 2222	-	-	-	500.0 P
. Enterprise Resource Planning System Replacement	1,189.6	410.4	1,600.0	1,600.0 P
. Space Utilization Project Phase I	350.1	70.0	420.1	-
. Windows Server Replacement Phase II	170.1	62.3	232.4	-
. MW Dependent Fuel Price Adjustment	25.5	74.5	100.0	-
. Adoption of NERC CIP Compliance of Synchrophaser Systems	35.0	5.2	40.2	-
. Circuit Inventory Management Platform	13.8	186.2	200.0	-
. Resource Capacity Accreditation	352.7	98.5	451.2	1,000.0 P
. Space Utilization Project - Windsor	-	476.9	476.9	-
. Long-Term FTRs	-	-	- [2]	-
. Privileged Account Management Security Enh Phase II	-	-	-	500.0 P
. Other Projects <\$500K - Planning (6 projects)	18.1	404.4	422.5	-
. Other Emerging Work Projects	-	719.6	719.6	1,631.2
Sub Total Planning/Conceptual Design	2,155.0	2,508.0	4,663.0	5,231.2
TOTAL Capital Projects	17,559.9	8,930.1	26,490.0	28,166.0
Capitalized Interest & Loan Fees	945.7	554.3	1,500.0	1,500.0
Total Capital Expenditures	\$ 21,306.0	\$ 13,694.0	\$ 35,000.0	\$ 35,000.0

*Projects Chartered at the time of the original budget are designated with a "C", while those that were in planning are designated with a "P".

[1] The Managing Transmission Line Ratings project was previously known as the FERC Order 881 Compliance project.

[2] The Long-Term FTRs project has been indefinitely deferred pending the development of appropriate credit requirements.

Capital Forecast – Capital Project Spending through September 2024

<u>Description</u>	Project-To- Date	Forecast Current Year Cost to Complete	Future Year Cost to Complete	Total Project Costs	Estimated Go-Live	Original Go-Live
Capital Projects - Approved Charters						
. nGEM Real-Time Market Clearing Engine	\$ 6,160.0	\$ 1,904.9	6,687.3	\$ 14,752.2	05/26	12/26
. Day-ahead Ancillary Services Improvements	6,830.6	714.1	1,526.8	9,071.5	03/25	03/25
. Managing Transmission Line Ratings	4,169.3	1,218.9	2,313.7	7,701.9	10/25	06/25
. CIP Electronic Security Perimeter Redesign Phase	4,419.0	164.9	385.2	4,969.1	05/25	05/25
. nGEM Software Development Part III	1,325.9	173.4	2,968.5	4,467.8	03/25	12/24
. FERC Order 841	119.4	707.7	2,636.4	3,463.5	11/25	11/25
. Operating System Server Upgrade Phase I	1,734.6	49.4	-	1,784.0	10/24	06/24
. EMS Short-term Load Forecast Replacement	1,217.5	183.0	38.5	1,439.0	01/25	11/23
. CAMS Application Software Technology Upgrade	375.2	137.8	842.9	1,355.9	06/25	08/25
. Network Modeling Tool Enhancements	397.5	156.4	726.1	1,280.0	06/25	06/25
. Day-ahead Ancillary Services Benchmark Levels	1,046.3	119.2	-	1,165.5	03/25	08/24
. IT Asset Workflow Integration and Updates	1,148.0	-	-	1,148.0	07/24	07/24
. Forward Capacity Market Order 2222	1,068.8	-	-	1,068.8	02/24	11/23
. Automatic Ring Down Circuit Continuity	493.3	96.9	307.2	897.4	07/25	07/25
. Microsoft 365 Service Adoption	290.2	326.9	95.9	713.1	11/24	01/25
. Internal Market Monitoring Data Analysis Phase	592.5	-	-	592.5	05/24	05/24
. 2024 Issue Resolution Project	511.2	-	-	511.2	07/24	07/24
. Other Projects <\$500K (13 projects)	1,802.6	468.7	817.9	3,089.2		
Sub Total Projects with Approved Charters	33,701.9	6,422.1	19,346.3	59,470.3		
Planning/Conceptual Design						
. FERC Order 2222	-	-	6,000.0	6,000.0		
. Enterprise Resource Planning System	1,762.7	410.4	1,900.0	4,073.1		
. Space Utilization Project Phase I	475.1	70.0	2,000.0	2,545.1		
. Windows Server Replacement Phase II	170.1	62.3	1,500.0	1,732.4		
. MW Dependent Fuel Price Adjustment	25.5	74.5	1,000.0	1,100.0		
. Adoption of NERC CIP Compliance of	44.8	5.2	900.0	950.0		
. Circuit Inventory Management Platform	13.8	186.2	400.0	600.0		
. Resource Capacity Accreditation	464.5	98.5	-	563.0		
. Space Utilization Project - Windsor	-	476.9	-	476.9		
. Long-Term FTRs	907.5	-	-	907.5		
. Privileged Account Management Security Enh	-	-	-	-		
. Other Projects <\$500K - Planning (6 projects)	67.1	404.4	1,152.0	1,623.5		
. Other Emerging Work Projects	-	719.6	-	1,252.0		
Sub Total Conceptual Design	3,931.2	2,508.0	8,852.0	15,823.6		
Capitalized Interest & Loan Fees	945.7	554.3	-	1,500.0		
Total Capital Expenditures	\$ 38,578.8	\$ 9,484.4	\$ 28,198.3	\$ 76,793.8		