

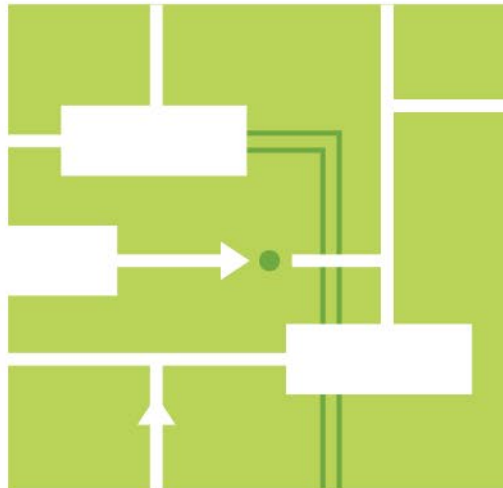
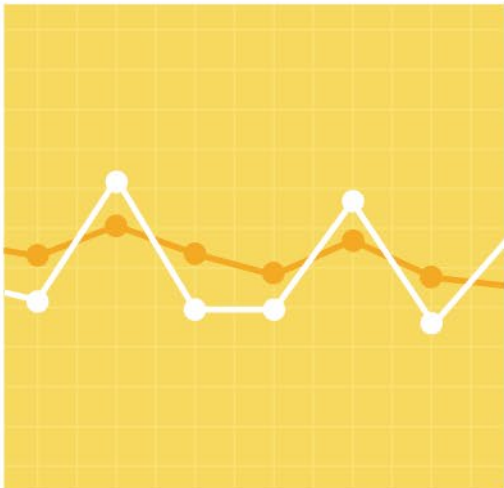


# 2024 Financial Report

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## 2024 Financial Statements

# Letter from the CEO

ISO New England is pleased to issue its 2024 Financial Report. As the not-for-profit Regional Transmission Organization for New England, the ISO measures success by our ability to deliver high-quality service within a framework of fiscal responsibility and best practices.

This document includes a summary of last year's operations and our financial position, as well as our financial statements audited by independent public accounting firm KPMG LLP. In addition to discussing the complex day-to-day operations we perform in service to the region, this report reflects expenditures for our extensive project work identified through a rigorous annual budgeting process. This process involves iterative input from New England state agencies and the New England Power Pool (NEPOOL), strong oversight from the ISO New England Board of Directors, and review and approval by the Federal Energy Regulatory Commission (FERC) (see [www.iso-ne.com/budget](http://www.iso-ne.com/budget)). Key projects developed through this process help address ongoing changes in and challenges to the region's electric power system, facilitate informed participation, and introduce technological innovations and efficiencies that help the ISO provide even more value for the region.

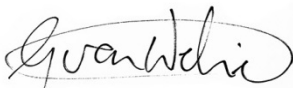
New England's electricity industry is always moving forward, so planning for change is an inherent strength of the ISO. In 2024, our staff worked on projects and initiatives aimed at harnessing the power of competition and advanced technologies to reliably plan and operate the grid as public policies and industry trends drive the region's energy transition.

We also continued to educate stakeholders about the important work we do, including the need to develop new tools to address the changing energy landscape.

The ISO plays a fundamental role in ensuring the region continues to have a secure and reliable energy system during this period of change and uncertainty. In order to fulfill our responsibilities, we need to invest in the systems and people that design and run the markets and plan and operate the power system. Recruiting exceptional talent will remain a top priority throughout the energy transition. On behalf of ISO New England, I thank the market participants, federal and state officials, and other electricity stakeholders for their participation and support of our mission.

Going forward, we will need to be both flexible and resilient, and we will have to work together to address the numerous challenges in our rapidly evolving industry. Your collaborative spirit and support is instrumental to the ISO's mission of ensuring a reliable supply of electricity to support the region's prosperity and progress.

Sincerely,



Gordon van Welie  
President and Chief Executive Officer

# Management's Discussion and Analysis

## The Company

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ISO New England Inc. (ISO-NE or the ISO) is the Regional Transmission Organization (RTO) serving Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island, and Vermont and is a 501(c)(3) nonstock, nonprofit corporation. The ISO's mission, in collaboration with its stakeholders, is to ensure that New England has reliable, competitively priced wholesale electricity through three critical and interconnected responsibilities:

- Reliably operate New England's bulk electric power system, economically dispatching and directing the generation and flow of electricity minute to minute across the region's interstate high-voltage transmission lines, thereby ensuring the constant availability of electricity for consumers
- Develop and administer New England's billion-dollar competitive wholesale electricity markets, which provide reliability and efficiency benefits for consumers
- Manage comprehensive, long-term bulk electric power system planning services that analyze system needs over the next several decades, as well as considering and incorporating federal and state policies

On Jan. 13, 2014, the ISO, along with several Eastern Interconnection reliability coordinators (RCs), became a member of a newly formed entity, the Eastern Interconnect Data Sharing Network, Inc. (EIDSN).<sup>1</sup> EIDSN is a 501(c)(6) nonstock, nonprofit corporation established to, among other things, facilitate the secure, consistent, effective, and efficient sharing of important electricity transmission and operational data among and between its members and other applicable parties to help improve electricity industry operations and promote the reliable and efficient operation of the Eastern Interconnection.<sup>2</sup>

## Current Environment

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ISO New England identified strategic goals for 2025 and beyond in alignment with the following vision statement:

*To harness the power of competition and advanced technologies to reliably plan and operate the grid as the region transitions to clean energy.*

The ISO will continue to focus on achieving the three critical elements of its mission: reliable operations, efficient wholesale electricity markets, and comprehensive bulk power system planning. Strategic initiatives and projects for 2025 will support these roles and target the ISO's vision.

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1. According to the North American Electric Reliability Corporation (NERC) a *reliability coordinator* (RC) is an entity with the highest level of authority for reliably operating the bulk electric power system, including the authority to prevent or mitigate emergency operating situations in next-day and real-time operations. The ISO has registered with NERC as an RC and is responsible for complying with NERC standards applicable to an RC.

2. The *Eastern Interconnection* is one of two major alternating current power grids in North America spanning from central Canada eastward to the Atlantic coast (excluding Québec), south to Florida, and west to the foot of the Rocky Mountains (excluding most of Texas). During normal system conditions, it interconnects transmission and distribution infrastructure and operates at a synchronized frequency of 60 hertz average. The Eastern Interconnection connects to the Western Interconnection, the Texas Interconnection, and the Québec Interconnection generally through numerous high-voltage DC transmission lines.

Strategic goals and key supporting initiatives for 2025 and beyond include:

- ***Responsive Market Designs.***

- Restructure the timing of the capacity market and reshape capacity market accreditation methodologies to ensure more efficient reliability and cost outcomes from season to season as the resource mix evolves. The Capacity Auction Reforms (CAR) project will span several years (2025–2027) due to the distinct, highly complex efforts needed to reform the capacity auction and be in place for the capacity commitment period beginning in 2028.
- Improve winter fuel security for the current reserve markets with the Day-Ahead Ancillary Services Initiative (DASI). The DASI project adds co-optimized 10- and 30-minute reserve products and an Energy Imbalance Reserve to the Day-Ahead Energy Market and creates strong incentives for generators to ensure that they have fuel to support their offers into the ancillary services markets. The DASI project was placed in service in February 2025.
- Consider alternative reserve products to build a system capable of sustaining steep, multi-hour net load ramps driven by increasing penetration of photovoltaic resources, with transparent market signals reflecting the costs for non-intermittent resources.
- Effectuate Federal Energy Regulatory Commission (FERC) orders supporting distributed energy resources (DERs).
  - Order No. 2222 requires RTOs/ISOs to allow DERs to provide all wholesale market services that they are technically capable of providing through an aggregation of resources.<sup>3</sup> ISO-NE has submitted compliance filings to FERC and will initiate the development of affected software in 2025 and will continue into 2026 and beyond for certain market products.
  - ISO-NE will complete software changes to implement compliance filing provisions for Order No. 841, providing for the systems to account for the unique characteristics of electric storage resources. Order No. 841 requires RTOs/ISOs to establish a “participation model” (i.e., market rules) that facilitates the participation of electric storage resources in markets, and more specifically in the day-ahead market.<sup>4</sup>

- ***Promote Progress and Innovation***

- Integrate electromagnetic transient modeling study tools, developed in 2024, into the engineering processes to enable reliable and market-efficient integration of inverter-based resources (IBRs). This work will enhance the modeling capabilities for new technologies and distributed resources. This initiative will bring efficiency to how the ISO evaluates IBRs, providing the ISO with greater capability to support the analyses necessary as more clean energy resources come on line.
- Continue to modernize and upgrade the ISO’s core market application suite (next GEneration Market or nGEM) by supporting a system with a growing number and type of grid assets,

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3. FERC, *Participation of Distributed Energy Resource Aggregations in Markets Operated by Regional Transmission Organizations and Independent System Operators*, Docket No. RM-18-9-000, Order No. 2222, 172 FERC ¶ 61,247 (Sept. 17, 2020).

4. FERC, *Electric Storage Participation in Markets Operated by Regional Transmission Organizations and Independent System Operators*, Docket Nos. RM16-23-000 and AD16-20-000, Order No. 841, 162 FERC ¶ 61,127 (Feb. 15, 2018).

new and more complex market features, ever multiplying security threats, and advancing information technologies. Following the completion of the infrastructure and the day-ahead version of the new market clearing engine (MCE) in 2023, the ISO is continuing work on the complex processes for customizing and implementing the next phases, which include the infrastructure and real-time version of the MCE. This project will continue into 2026.

- ***Achieve Operational Excellence***

- Implement new software to comply with FERC Order No. 881. In the order, the commission directed transmission providers to implement and use ambient-adjusted ratings for high-voltage transmission lines. RTOs must develop systems and procedures to allow transmission owners to electronically submit updated transmission line ratings at least hourly. The planned in-service date is December 2026.
- Evaluate tie benefits winter modeling improvements. The ISO's coordination continues with neighboring control areas for potential refinements to winter modeling for tie benefits calculations. The results are expected to be reported to stakeholders no later than the fourth quarter of 2025.
- Continue with the cloud transformation over the next several years to reduce reliance on energy-heavy data centers, make system deployment more efficient as resource numbers increase, and enable faster computing performance as resource data grows.
- Continue to evaluate and implement the impact of FERC Order No. 2023. The ISO will continue to implement reforms to the generator interconnection procedures and agreements to ensure that interconnection customers can interconnect to the transmission system in a reliable, efficient, transparent, timely, and fair manner in compliance with the FERC order. Order No. 2023 establishes new rules for transmission providers to: (1) implement a first-ready, first-served cluster study process; (2) increase the speed of interconnection queue processing; and (3) incorporate technological advancements into the interconnection process.
- Implement synchrophasor infrastructure and process improvements to better monitor the performance and dynamic behaviors of IBRs and DERs during system events in real time.

- ***Support Stakeholder Engagement***

The following initiatives support the four pillars of the clean energy transition: energy adequacy, clean energy, robust transmission, and balancing resources.<sup>5</sup>

- The Regional Energy Shortfall Threshold (REST) project aims to define a level of expected unserved energy that can be managed (through operating actions and calls for conservation) without resorting to controlled outages.

ISO-NE partnered with the Electric Power Research Institute (EPRI) to conduct a probabilistic energy-security study for the New England region under extreme weather events and developed the Probabilistic Energy Adequacy Tool (PEAT) for the ISO to use to assess operational energy-security risks associated with extreme weather events.<sup>6</sup>

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5. ISO New England, "Regional Electricity Outlook," webpage (2024), <https://www.iso-ne.com/about/regional-electricity-outlook>.

6. ISO New England, "Operational Impacts of Extreme Weather Events Key Project," webpage (2025), <https://www.iso-ne.com/committees/key-projects/operational-impacts-of-extreme-weather-events>.

ISO-NE will continue discussions with stakeholders on establishing an acceptable threshold of energy shortfall risk (i.e., the region's risk tolerance) during low-probability extreme weather events as identified through the Probabilistic Energy Adequacy Tool (PEAT).

ISO-NE plans to use PEAT in the winter of 2025/2026 to begin performing seasonal assessments of energy adequacy risk against the REST criteria and intends to annually perform PEAT/REST assessments with longer look-ahead horizons to inform risk trends over time. Note that initial PEAT study results concluded that winter energy shortfall impacts appear manageable with existing tools through 2032. Risk-trend data will guide the timing and nature of the next phase.

- ISO-NE will continue the effort to effectuate the improved process for conducting requests for proposals in connection with the Longer-Term Transmission Planning (LTTP) framework, working the New England States Committee on Electricity (NESCOE). The framework will ensure there is sufficient transmission to integrate renewable resources and move clean energy to consumers across New England, create more robust processes around longer-term transmission planning, and clarify the various stakeholder, state, and ISO roles throughout the process of developing transmission infrastructure to address the findings of longer-term transmission studies. Modifications to the rules were filed with FERC and approved in 2024. The ISO issued the first competitive solicitation for an LTTP solution in March 2025, with responses due in September 2025.

- ***Attract, Develop, and Retain Talent***

- Implement awareness-raising activities and build employee networks to ensure alignment with culture and values.
- Maintain competitiveness in the labor market through benchmarking competitive pay.
- Support the development of managerial, leadership, interpersonal, and business skills in the post-pandemic work environment.
- Continue critical talent retention strategies inclusive of pay, development, and succession planning.

## **Critical Accounting Estimates**

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ISO New England's management must conduct the following tasks to prepare the company's financial statements, conforming to accounting principles generally accepted in the United States:

- Make estimates and assumptions that affect the reported amounts of assets and liabilities
- Disclose contingent assets and liabilities on the date of the financial statements
- Report the amounts of revenues and expenses during the reporting period

Significant items subject to such estimates and assumptions include the useful lives of fixed assets and pension and post-retirement benefits, including earnings rates, discount rates, health care cost trends, and other contingencies.

## **Accounting Policies**

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The ISO implemented Sarbanes-Oxley 302 (SOX 302) compliance in 2003. SOX 302 is a set of internal procedures designed to promote accurate financial disclosure, as well as the disclosure of material information about the ISO, to its signing officers. In 2009, the ISO added a critical vendor matrix to its SOX

302 disclosure. This matrix, prepared by the ISO's vice president of Information Services and chief operating officer, identifies those companies that provide specialized goods or services to the ISO. The critical vendor matrix identifies the risk, as well as a mitigation plan for the risk, where applicable. The ISO also developed disclosure checklists that represent the essential internal controls for maintaining financial accuracy. Department managers, senior officers, and the ISO's chief executive officer (CEO) complete these disclosure checklists quarterly. The ISO's chief financial and compliance officer (CFO) reports the results of the disclosures and matrices quarterly to the Audit and Finance Committee of the ISO New England Board of Directors. The Audit and Finance Committee must review the SOX 302 disclosure before the release of the quarterly unaudited financial statements.

In 2010, the ISO implemented a modified internal Sarbanes-Oxley 404 (SOX 404) compliance process to complement the SOX 302 procedures. For SOX 404 compliance, the ISO evaluates the control environment associated with financial reporting. To perform this evaluation, the ISO developed a principle evaluation matrix that contains specific questions covering each of the five principles addressing the control environment component of guidance from the Committee of Sponsoring Organizations of the Treadway Commission (COSO, 2017 framework).<sup>7</sup> Key individuals in the company complete the matrix annually, and the CEO and CFO review it for completeness and effectiveness. In addition, the ISO's controller and director of accounting annually assesses the Statement of Financial Position and the Statement of Activities to measure the risk of fraud, control, and various other risk profiles that certain accounts and activities have. The CEO and CFO review the results of the risk assessment and make recommendations for additional controls as needed.

## **Tariff Recovery of Costs/Promoting Sound Governance**

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Each year since its inception, the ISO has filed a new tariff with the Federal Energy Regulatory Commission (FERC) to recover its operating costs and fund its capital expenditure program for the subsequent year. The ISO's funding-recovery process is defined in Section IV of the *ISO New England Inc. Transmission, Markets, and Services Tariff* (ISO tariff).<sup>8</sup> The funding-recovery process begins with the development of the annual budgets, which ultimately become the revenue requirement collected under Section IV.A of the ISO tariff and the anticipated capital expenditures. The ISO executes a rigorous process to ensure that the budgets submitted to stakeholders for review, and to FERC for approval, align with the ISO's initiatives and goals and are just and reasonable.

## **Development of the Budget**

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The ISO's budgets are based on strategic planning goals. Senior management begins to develop the strategic plan at the start of the preceding budget year. Senior management reviews the plan with the ISO New England Board of Directors and stakeholders in the spring and early summer before establishing detailed administrative costs and capital budgets. ISO-NE representatives meet with and obtain feedback from members of the New England Power Pool (NEPOOL), New England Conference of Public Utilities

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7. The Committee of Sponsoring Organizations of the Treadway Commission is a joint initiative of the American Accounting Association, American Institute of Certified Public Accountants, Financial Executives International, American Association of Accountants and Financial Professionals in Business, and Institute of Internal Auditors. The committee develops frameworks and guidance on enterprise risk management, internal control, and fraud deterrence. See <https://www.coso.org>.

8. *ISO New England Inc. Transmission, Markets, and Services Tariff* (ISO tariff), Section IV (2025), [www.iso-ne.com/participate/rules-procedures/tariff](http://www.iso-ne.com/participate/rules-procedures/tariff).

Commissioners (NECPUC), New England States Committee on Electricity (NESCOE), other state officials, and additional interested stakeholders.

In July of each year, the ISO's department managers submit their detailed budgets based on the strategic plan. Senior managers, including the chief financial and compliance officer and chief executive officer, review the department budgets, which are then adjusted as needed. The ISO prepares a comprehensive presentation for review and amendment by the Audit and Finance Committee of the board of directors. The presentation includes information on the budget process, new initiatives, summarized budget data, budget details, depreciation and interest rates, the capital budget (with explanations for each project), cash flow and pro forma financial projections for future years, and a comparison of cost data and services provided by other Independent System Operators and Regional Transmission Organizations.

The administrative costs and capital budgets are presented in August to the NEPOOL Budget and Finance Subcommittee for review, input, and recommendation to the NEPOOL Participants Committee, which reviews and votes on the budgets at its October meeting. During this August-to-October time frame, ISO-NE representatives solicit input on the budgets from state officials. The ISO's full board of directors then must approve the budgets in October of each year before they are considered complete and ready for filing with the Federal Energy Regulatory Commission (FERC).

The administrative costs budget and the capital budget recommended by the NEPOOL Participants Committee and approved by the ISO-NE board of directors provide the basis for Section IV.A of the ISO tariff filed with FERC on or before Nov. 1 of each year. Pursuant to Section IV.A, the ISO recovers its operating costs through the following three tariff schedules:

- Schedule 1—Scheduling, System Control, and Dispatch Service
- Schedule 2—Energy Administration Service
- Schedule 3—Reliability Administration Service

Each year during the tariff development process, department managers allocate their budgeted costs by activity, with each activity having an allocation to one, two, or all three of the tariff schedules. This process allows the ISO to categorize the applicable year's budget according to the three tariff schedules. The costs applicable to each schedule or set of activities become the revenue requirement for that schedule. To arrive at billable rates, the costs are then allocated to market participants on the basis of the billing determinants for each schedule's revenue requirements. The billing determinants are based on both volumetric and transactional units, depending on the schedule.

Because actual costs will vary from the budgeted costs as well as the projected billing determinants, Section IV.A of the ISO tariff contains a true-up provision. The ISO records any over- or under-collection as a deferred charge or a regulatory liability, and the adjustment for the true-up increases or decreases the cost recovery in a subsequent tariff filing.

## **Committee Activities and Independent Board Oversight**

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The ISO's stakeholder engagement efforts do not end with the annual budgeting process. ISO employees actively engage with stakeholders year-round through ongoing interactions complemented by numerous recurring, strategically focused committees. During 150 or more scheduled meetings each year, the ISO and its stakeholders participate in discussions on the following topics:

- New or enhanced wholesale electricity market initiatives
- Planning for the bulk power system

- Operation of the bulk power system
- Financial review of ISO operations
- Market and credit risks

In addition, members of the ISO's board of directors have both broad and deep expertise in financial markets, law, electric power operations, regulation, cybersecurity and other topics important to the electric industry. To safeguard independent decision-making, board members have no financial interest in any company participating in New England's wholesale electricity markets. The ISO's board and respective board committees conduct business by meeting regularly throughout the year with management to discuss emerging issues; the status of the ISO's operations, both financial and physical; internal audits; strategic direction; compensation reviews; and items associated with the wholesale electricity markets, among other topics. The board also meets regularly with New England market participants and state regulators and policymakers.

### **Culture of Compliance/Three Lines of Defense**

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The ISO New England Board of Directors and senior management promote an ethical culture and support a culture of rigorous regulatory compliance. The ISO achieves this in three major ways: (1) through an established Code of Conduct that every employee and director must sign and follow; (2) delivery of training that supports the Code of Conduct and other regulatory obligations; and (3) establishing policies that support adherence to a company compliance handbook that is regularly updated. The purpose of the handbook is to supplement the Code of Conduct by providing an overview of the company's "Three Lines of Defense," which seek to adhere to the following:

- Quality management principles to promote the development of and adherence to business procedures
- Monitoring and support programs that identify risks and provide reasonable assurance of compliance
- An annual audit plan to formally assess internal controls, compliance with governing documents, and compliance with specified regulatory obligations

More specifically, the ISO's first line of defense is to establish and measure controls, implement corrective actions to address process and control weaknesses, execute risk and control procedures on a daily basis, and fulfill all training offered companywide. In 2024, the ISO delivered internal controls training to all members of the workforce, with additional content for management focused on process owner/leader responsibilities related to controls. The ISO requires this training for all new employees as well.

Additionally, to bolster the ISO's internal controls regarding the processes for developing tariff filings, management established a policy to memorialize the framework of controls that govern filings to change the ISO tariff pursuant to Section 205 of the Federal Power Act. Regularly scheduled director-level meetings are held to discuss new tariff cases initiated for development, tariff changes that are under development for filing with the Federal Energy Regulatory Commission (FERC), and those approved by the commission that are ready for implementation. These discussions support identification and resolution of any quality or implementation issues before new provisions of the tariff are filed with FERC for approval and before they go into effect.

The ISO maintains a Corporate Risk Register, which serves to elevate management-level risks for resolution. Management meets with board committees to discuss identified risks, and with the full board to summarize these risks and steps the company plans to take to address them. This discussion helps inform management's

annual review of strategic goals, objectives, and initiatives, which supports directing resources to support the company achieving and promoting its mission and vision.

The ISO uses the Application Modification Request (AMR) system to ensure there is adequate funding for internalized capitalized labor, as reflected in the ISO's quarterly capital budget filings with FERC. The system enables the workforce to submit information technology (IT) improvement ideas that facilitate process updates and efficiencies. AMR establishes a single platform for business queues associated with IT requests, including requests from market participants and IT to improve system functionalities, and allows departments to prioritize ideas collaboratively.

The second line of defense is the established risk control and oversight functions. These functions include a comprehensive compliance-management system that the chief financial and compliance officer oversees. This system includes an inventory of all obligations to FERC; North American Electric Reliability Corporation (NERC) and North American Energy Standards Board (NAESB) business practice obligations; and various federal and state reporting obligations. An Enterprise Resilience and Security Committee (ERSC) discusses current and emerging issues with senior staff and other appropriate personnel. In addition, a couple of groups address cybersecurity risks and compliance, providing reports to ERSC:

- Cybersecurity Operations Center staff conduct 24/7 monitoring of cyber threats, along with other responsibilities
- The Critical Infrastructure Protection (CIP) and Systems Compliance Operations groups monitor compliance with NERC CIP standards<sup>9</sup>

The ISO also has an internal market monitor and an external market monitor, both responsible for ensuring the integrity of the wholesale electricity markets. The company requires annual certification of its Code of Conduct, and it has an anonymous, internet-based reporting tool anyone can use to report any issues or potential noncompliance they may see. Additionally, the ISO's legal department assists in interpreting tariff requirements for business owners.

The third line of defense includes the Internal Audit Department (IAD). The IAD's mission is to provide independent, objective assurance and advisory services designed to add value and improve ISO's business operations and, where appropriate, selected participant and vendor activities. IAD accomplishes its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, compliance, and governance processes at the ISO.

The Internal Audit Department is responsible for the following tasks:

- Developing a flexible annual audit plan using an appropriate risk-based methodology, as approved by the Audit and Finance Committee of the board of directors, including any risks or control concerns identified by management, independent oversight partners (e.g., KPMG, Pricewaterhouse Coopers) and regulatory authorities (e.g., NERC)
- Executing the annual audit plan, as approved by the Audit and Finance Committee, and reporting results to the committee on a regular basis
- Performing audits of internal controls in selected areas to determine whether the controls are functioning in a reasonable manner that mitigates risk, and recommending improvements

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9. NERC, "US Reliability Standards," webpage (2025), <https://www.nerc.com/pa/Stand/Pages/USRelStand.aspx>.

- Performing compliance audits in selected areas to determine whether the processes examined generally conform to the requirements of the corresponding set of rules and governing documents
- Managing, coordinating, and providing oversight for external audit activities, such as the SOC 1 Type 2 engagement, benefit plan audits, network vulnerability assessments, and market system certifications<sup>10</sup>

In order to maintain the IAD’s independence, the department reports administratively to the ISO’s president and chief executive officer, and functionally to the Audit and Finance Committee.

## Liquidity and Capital Resources

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As a nonstock, nonprofit organization, ISO New England has neither equity nor any accumulated reserves. The creditworthiness of the ISO is based on the *ISO New England Inc. Transmission, Markets, and Services Tariff* (ISO tariff), which allows recovery of costs, including debt service costs. To fund its working capital needs, the ISO has a \$40 million line of credit provided by a bank. In addition, to support shortfall payments under the *ISO New England Billing Policy* (Exhibit ID of the ISO tariff), the ISO has a \$4 million line of credit provided by a bank. In January 2024, the Federal Energy Regulatory Commission (FERC) approved a Section 204 filing to refinance the then-expiring lines of credit for a new four-year term and increase the previously issued \$20 million line of credit to \$40 million, both of which will expire on March 1, 2028. Section IV.B of the ISO tariff, Capital Funding Arrangements, is the backstop to all the ISO’s borrowings in the event of any acceleration of debt repayments.

In 2024, the ISO reviewed its 10-year projection for future capital expenditures and determined that in 2024 through 2032 the capital spending program would gradually increase to \$40 million.<sup>11</sup> This is an increase from the historical capital spending average over the past several years of \$28 million to \$35 million. In 2024, the capital spending program was set at \$35.0 million, increasing to \$42.5 million in 2025, and leveling out at \$40.0 million for 2026 and beyond. This increased need is due to major market and reliability related efforts, modernizing the ISO’s application suite, cybersecurity, implementing cloud computing infrastructure and virtualization technology to reduce reliance on energy-heavy data centers, while maintaining reliability, and the transition to clean energy.

The ISO reviewed many available financing options for meeting the needs of the spending program in a cost-effective manner and consequently discontinued its practice of securing new term-loan debt each year. By issuing longer-term, private-placement notes, the ISO saves the cost of borrowing new money each year, as well as the cost of filing with FERC, and instills budgetary discipline in the capital expenditure program.

The ISO currently has a private-placement, fixed-rate note issuance totaling \$75 million.

In August 2024, the ISO issued \$75 million in 10-year, private-placement, fixed-rate notes (expiring in 2034) to provide funding to support the capital project program. The \$75 million in notes replaces the \$50 million in private-placement notes that expired in November 2024. The increased issuance of private-placement notes

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10. A SOC 1 Type 2 report is an internal controls report specifically intended to address the design and testing of the controls over a period of time, which for ISO-NE is a 12-month period, performed by an external firm. It also describes the testing performed and the results. See

<https://us.aicpa.org/interestareas/frc/assuranceadvisoryservices/serviceorganization-smanagement>.

11. ISO New England, “Budget,” webpage (2025), <https://www.iso-ne.com/about/corporate-governance/budget>.

from \$50 million to \$75 million is a result of increased project work arising from the stakeholder process and regulations, as well as longer project-implementation lead times due to increased complexity.

The ISO updates cash-flow projections periodically, and will determine when additional borrowings will be needed. As part of the cash-flow assessment, management will determine what type of borrowing is best suited for the increased capital spending need. The continued issuance of private-placement notes aligns with the ISO's philosophy of budgetary discipline and saving the cost of new borrowings each year. As the ISO places projects in service and the projects begin to depreciate, the ISO recovers the depreciation expense under Section IV.A of the ISO tariff, and the recovered expense becomes available for funding future capital spending requirements. However, in the case of a temporary increase in capital project spending, the ISO may utilize alternative debt instruments that are more conducive to shorter-term borrowings.

In 2005, the ISO secured \$45.5 million of tax-exempt debt to finance its new Holyoke campus and renovate and consolidate its existing office facilities. The debt comprises multimode variable-rate civic-facility revenue bonds, which reprice weekly. The Massachusetts Development Finance Agency issued the bonds, which the ISO will repay over 25 years; principal repayments began in May 2007. The weighted average cost of the debt for 2024, including the direct-pay letter of credit, was 3.67%.

In 2012, the ISO secured \$36 million of tax-exempt debt to finance the construction of its Windsor campus. The Windsor campus was fully operational in May 2014. The debt comprises multimode variable-rate civic-facility revenue bonds, which reprice weekly. Connecticut Innovations, Inc. issued the bonds. Principal repayments began in November 2014, with a redemption payment of \$1,350,000, in addition to the regularly scheduled principal payments because the project completed under budget. The weighted average cost of the debt for 2024, including the direct-pay letter of credit, was 3.68%.

## **Regulatory Update**

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This section highlights interactions between federal and state energy policies; coordination between the New England States, ISO New England, and the US Department of Energy (DOE) on funding opportunities; ISO public webinars; the role of the ISO's budget, work plan, and strategic plan in supporting the states' policies; and coordination between the ISO and the New England states on demand response.

### *Federal and State Policies*

In 2024, the ISO continued its work with the New England states and the federal government on the implementation of their ambitious goals around clean energy deployment. In New England, individual states have established goals or mandates for decarbonization or renewable energy deployment (e.g., Connecticut's requirement to achieve a zero-carbon electricity system by 2040; Rhode Island's requirement to achieve 100% renewable energy by 2030; Maine's requirement for carbon-neutral emissions by 2045; and Massachusetts' requirement to achieve net-zero emissions by 2050).

At the federal level, federal policy direction was demonstrated most prominently in the passage of two signature pieces of legislation—the Inflation Reduction Act (IRA) and the Infrastructure Investment and Jobs Act (IIJA). After their passage, the U.S. Department of Energy (US DOE) focused intently on the implementation of the programs established and funded by the IRA and IIJA.

The November 2024 election resulted in former President Trump's reelection to the White House and Republican control of both the House and Senate. While shifts in federal policies are underway in early 2025, state energy policies continue to be the primary driver of the energy transition in New England. The ISO does not expect that trend to change and continues to work with the New England states in that regard.

### *Technical Support for New England States' Funding Applications*

ISO New England served as a technical advisor to the New England states on their US DOE funding applications through the Grid Resilience and Innovation Partnerships Program. The ISO's role included providing technical support and analysis as requested by the states to inform their applications. The states, through the Massachusetts Department of Energy Resources, were selected to receive over \$389 million in Grid Innovation Program funding to enable interconnection of additional generation and deploy longer-duration energy storage.

### *Open Board Meetings and Stakeholder Engagement*

The ISO New England Board of Directors held its annual open meeting on Nov. 5, 2024. The meeting was held in Boston and the public was invited to attend in person and virtually to observe the board's discussions. President and CEO Gordon van Welie provided an update on New England's energy transition, outlining the ISO's strategy to support the region's policy goals and summarizing the findings from the *Economic Planning for the Clean Energy Transition* study. Vamsi Chadalavada, executive vice president and chief operating officer, outlined a multiyear roadmap and the four pillars needed to achieve a reliable clean energy transition.

The ISO board conducts an open meeting each year to provide an opportunity for the public to listen to and observe board and management discussions and provide an opportunity for public comment and open dialogue. The board has also established a practice of having representatives meet annually with the Consumer Liaison Group, a public forum to facilitate the sharing of information between ISO New England and consumers.

### *ISO-NE Hosts Public Webinars*

ISO New England continued a series of public webinars designed to provide opportunities for the public to monitor the organization's studies and major responsibilities and engage with staff. In 2024, the External Affairs department took the lead in organizing, promoting, and hosting three public webinars that provided overviews of ISO-NE studies and activities in system planning. Topics included:

- FERC Order No. 2023, pertaining to generator interconnection reforms, and coordination with affected system operator (ASO) studies (March 2024)
- The ISO's *2050 Transmission Study* (May 2024)
- The ISO's *Economic Planning for the Clean Energy Transition* (EPCET) report (December 2024)

The ISO developed the ASO studies webinar, and a companion memorandum, in response to a request from the states and stakeholders for additional public information on the ISO's efforts in these areas. The *2050 Transmission Study* webinar fulfilled a request from the New England States Committee on Electricity (NESCOE) as part of its 2020 vision statement and comments on the *2050 Transmission Study*. All public webinar presentations and recordings are available on the ISO's [Government and Industry Affairs](#) webpage.

### *Longer-Term Transmission Planning Phase II*

NESCOE's 2020 vision statement recommended that the ISO work with stakeholders to conduct a comprehensive longer-term transmission study.<sup>12</sup> In response, the ISO completed a study and received

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12. New England States Committee on Electricity, "New England States Vision Statement," webpage (October 16, 2020), <https://nescoe.com/resource-center/vision-stmt-oct2020/>.

approval from FERC to revise the ISO tariff to establish a repeatable, Longer-Term Transmission Planning (LTTP) process.

The resulting landmark *2050 Transmission Study* informs stakeholders of the amount and type of transmission infrastructure necessary to provide reliable, cost-effective energy to the region throughout the clean energy transition, driven by state policy. The final *2050 Transmission Study* report and two-page fact sheet were published in February 2024.<sup>13,14</sup> On May 1, the ISO hosted an informational webinar on the study that was free and open to the public.<sup>15</sup> In response to stakeholder feedback on the *2050 Transmission Study*, the ISO conducted additional analysis related to offshore wind, with a final report published in March 2025.<sup>16</sup>

In May 2024, the ISO filed the second phase of the LTTP tariff changes with FERC to provide a mechanism to enable the states to move policy-related transmission projects forward, with associated cost allocation. The changes were accepted by FERC on July 9 to create a process by which NESCOE can request the ISO to issue and evaluate requests for proposals (RFPs) to address longer-term transmission needs. This process allows for the states to determine how to allocate costs for any selected upgrades.<sup>17</sup>

In December 2024, NESCOE submitted its first formal request for an RFP through the LTTP process.<sup>18</sup> The request relates to objectives to enhance reliability and market efficiency and seeks to solicit projects that would relieve transmission bottlenecks between northern and southern New England and accommodate more clean energy resources in Maine. The ISO released a draft RFP on March 14, 2025, for public comment. On March 31, the ISO released the final RFP, with bids due in September 2025.

#### *New England Governors and Eastern Canadian Premiers Adopt Energy Resolution*

The 2024 annual meeting of the New England Governors and Eastern Canadian Premiers (NEG-ECP) included discussion related to the economy, energy, and environment. The NEG-ECP passed a resolution to reconvene the Northeast International Committee on Energy (NICE). The NEG-ECP requested that the NICE establish working groups focused on transmission, supply chain, and hard-to-decarbonize sectors. Massachusetts Governor Maura Healey hosted the meeting and co-signed the resolution on behalf of the New England states. A progress report is expected in 2025.

#### *Annual Work Plan and Strategic Plan*

Actions and plans by the ISO to fulfill its responsibilities and to address regional energy challenges are outlined in the ISO's annual budget, Annual Work Plan, and Strategic Plan.

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13. *2050 Transmission Study*, report (February 12, 2024); [https://www.iso-ne.com/static-assets/documents/100008/2024\\_02\\_14\\_pac\\_2050\\_transmission\\_study\\_final.pdf](https://www.iso-ne.com/static-assets/documents/100008/2024_02_14_pac_2050_transmission_study_final.pdf).

14. *2050 Transmission Study*, fact sheet (February 14, 2024); <https://www.iso-ne.com/search?query=2050%20transmission%20study%20fact%20sheet>.

15. *2050 Transmission Study*, public webinar (May 1, 2024); <https://www.iso-ne.com/event-details?eventId=154784>.

16. *2050 Transmission Study: Offshore Wind Analysis*, report (March 21, 2025); [https://www.iso-ne.com/static-assets/documents/100021/2050\\_osw\\_report\\_final.pdf](https://www.iso-ne.com/static-assets/documents/100021/2050_osw_report_final.pdf).

17. Materials related to longer-term transmission studies are available at <https://www.iso-ne.com/system-planning/transmission-planning/longer-term-transmission-studies>.

18. New England States Committee on Electricity, "Transmission Needs for a Longer-term Transmission Planning RFP," letter (December 13, 2024); [https://www.iso-ne.com/static-assets/documents/100018/a05\\_2024\\_12\\_18\\_pac\\_transmission\\_needs\\_for\\_a\\_longer-term\\_transmission\\_planning\\_rfp\\_final.pdf](https://www.iso-ne.com/static-assets/documents/100018/a05_2024_12_18_pac_transmission_needs_for_a_longer-term_transmission_planning_rfp_final.pdf).

The ISO develops its budget in consultation with the New England Power Pool (NEPOOL) and representatives of the six states (specifically, the state public utility commissions and consumer advocates) before filing it with FERC for final approval.

The Annual Work Plan outlines major priorities and activities for the year that are designed to improve upon existing ISO systems, practices, and services to New England. The ISO develops the Annual Work Plan, and six-month updates, with input from NEPOOL, NESCOE, and the New England Conference of Public Utilities Commissioners (NECPUC).

Through its strategic planning process, the ISO has identified four pillars critical to supporting the region’s clean energy transition: clean energy, balancing resources, energy adequacy, and transmission development.

ISO New England’s focus is on ensuring the strength of these four pillars, but it will take a collaborative effort by all industry and government stakeholders to ensure the states reach their clean energy goals. Some solutions to regional energy challenges are within the ISO’s jurisdiction over the region’s electric grid (e.g., transmission planning for reliability, as well as administering wholesale markets for energy, capacity, and ancillary services). Other solutions are outside the ISO’s jurisdiction (e.g., retail electricity markets; entering long-term contracts for specific resources; and developing, managing, or retaining fuel infrastructure). The [2024 Regional Energy Outlook \(REO\)](#) provides the ISO’s latest perspective on the four pillars.

The Federal Energy Regulatory Commission (FERC) issued two landmark orders on transmission planning and generator interconnection procedures. These orders—Nos. 2023, 2023-A, and 1920—are expected to have significant implications for ISO New England. The ISO has dedicated significant resources to its Order No. 2023 compliance proposal and is committed to working with its stakeholders as the commission implements these orders.

#### *Support of the New England States and NECPUC on Demand Response*

In early 2024, NECPUC created a working group to explore demand response and load flexibility in relation to challenges associated with winter energy adequacy and peak demand growth. The ISO participated in working group meetings throughout the year to refine project scope and through presentations on the participation of demand response (DR) in the wholesale market, as well as the impacts of DR on operations and system planning. The ISO will continue to serve as a technical advisor to the working group in 2025.

## **2024 Notable Achievements**

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In 2024, ISO New England showed strong performance in carrying out strategic goals including: addressing the clean energy transition, enhancing the wholesale markets to compensate new technologies, addressing energy adequacy through advancing study work on understanding regional thresholds for energy shortfalls, and moving forward with the transformation to the cloud for Office 365.

The ISO introduced the “four pillars” in 2022 (as described in the Annual Work Plan and Strategic Plan section above) as a way of framing the major elements needed to ensure a reliable clean energy transition.<sup>19</sup>

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19. Gordon van Welie, “The Four Pillars Needed for a Successful Clean Energy Transition, and the Critical Role of Transmission Infrastructure,” presentation at the 2022 WIRES Summer Meeting, Newport, RI (July 28, 2022), [https://www.iso-ne.com/static-assets/documents/2022/07/wires\\_july\\_2022\\_gvw\\_keynote\\_final.pdf](https://www.iso-ne.com/static-assets/documents/2022/07/wires_july_2022_gvw_keynote_final.pdf).

The four pillars continue to be the underlying principles needed to further the advancement of the energy transition.

The following is a summary of progress made in 2024 on the major initiatives supporting the ISO's strategic goals: responsive market design; progress and innovation; operational excellence; stakeholder engagement; and attract, develop, retain talent. Goals are described in more detail in the Current Environment section above.

### *Responsive Market Design*

The ISO successfully designed and developed significant and timely capacity market reforms, while gaining the support for these from stakeholders. These reforms will better align the market's structure with the evolving resource mix to maintain resource adequacy throughout the clean energy transition.

- **Capacity Auction Reforms:** The changing resource mix, increasing seasonal differences in load growth and resources' capabilities, and continuing constraints in the region's fuel infrastructure continued to drive work on capacity auction reforms (CAR). The ISO filed a package of reforms reflecting decisions about the structure of capacity market in April 2024 and proposed to undertake a multiyear effort to transition to a prompt, seasonally based, capacity market and concurrently reform how resources are accredited in the market. The ISO's proposal had the support of the states and stakeholders and received approval from the Federal Energy Regulatory Commission (FERC) in May 2024.

Throughout the year, the ISO organized more than 10 task-specific interdepartmental work teams pursuing design elements and implementation issues; directed design work on the ISO's novel proposal to model systemwide gas supply constraints in the winter season; and completed contracting with a vendor to modify and enhance the ISO's modeling tools to perform the needed accreditation calculations. The ISO also worked closely with stakeholders over a five-month period of discussions on the planned scope of work, explaining the elements that are "core" to the CAR scope and those that are "supplemental" (but which can be incorporated in the CAR design work and stakeholder process). Progress will continue on this initiative in 2025, including further discussions with stakeholders, which the ISO anticipates will result in further modifications to the market rules and bring the new market closer to readiness for the next auction in early 2028.

- **Day-Ahead Ancillary Services Initiative:** Filed with FERC in October 2023, the Day-Ahead Ancillary Services Initiative (DASI) established market processes to identify resources that will be available next-day to provide reserves in real time and to identify the resources available to satisfy the load forecast whenever it exceeds the amount of physical energy cleared in the Day-Ahead Energy Market. As the region relies more on weather-dependent resources, and variability in energy production on the system becomes more pronounced with the changing resource mix, it is increasingly important to have market mechanisms to secure the next-day operating plan. FERC accepted the proposal in February 2024.

Throughout 2024, the ISO continued to advance new ancillary services to address the changing system. Software development, implementation, and thorough testing of the new rules continued during the year in partnership with the vendor and the ISO's internal teams. More than 100 manual tests were conducted in person at the vendor's site and over 2,000 automated Market Clearing Engine (MCE) tests were run nightly to continuously regression-test the various components of the new rules in the software. To finalize the necessary rule changes, a package of conforming changes was filed with full support of the stakeholders and was approved by FERC in October of 2024. DASI was successfully placed in service in February 2025.

### *Progress and Innovation*

The ISO continued to develop and adopt innovative techniques to address complexities associated with the clean energy transition.

- **Real-Time Market Clearing Engine:** In 2023, the ISO implemented the next Generation Market (nGEM) Day-Ahead Market Clearing Engine (MCE). This milestone laid the groundwork to transition the ISO's market clearing system from a legacy technology platform to a modern platform that addresses a variety of technology and performance constraints and was critical to support implementation of DASI. The ISO's work on nGEM continued in 2024 with the delivery of the preliminary Real-Time Market Clearing Engine (RT MCE) and comprehensive testing. This allows for the ISO to run the real-time unit commitment mode of clearing (in addition to the day-ahead modes already in production as of June 2023). The integrated version of the MCE works in conjunction with the market database and market operator interface at the ISO. The delivery of these software releases provides for certain support areas of the ISO to use them to familiarize themselves with the nGEM MCE to support changes needed for final deployment and integration.
- **Electromagnetic Transient modeling:** The ISO established guidelines for an electromagnetic transient (EMT) modeling process and a repository to enable the reliable and market-efficient integration of inverter-based resources (IBR) with EMT analyses. Conducting EMT studies is becoming more important to planning and operating the power system with the increasing number of IBRs in New England. This is due to the complex controls inherent to IBRs, and the well-documented reliability challenges associated with integrating them into the grid. EMT models allow for original equipment manufacturer-specific control logic to be programmed into the model. This capability, coupled with the ability to simulate at very small time steps (microseconds), gives planners and operators a very high level of certainty in study results not previously available with traditional transient stability analyses. The guideline outlines best practices for EMT studies when carrying out studies required by the ISO tariff and describes when studies will be conducted for the purposes of operational analyses.

### *Operational Excellence*

ISO-NE continuously improves operations and processes, with a focus on prioritizing project scope and implementation, business results, and continuity of reliable operations.

- **Cloud transformation projects:**
  - The ISO successfully completed and implemented Office 365 features for several different software platforms and systems, including a key vault for private encryption keys, access and license management software, Microsoft Office 365 applications for all personnel, and email services.
  - The ISO also executed a pilot program to explore the viability of using cloud virtual desktops in Microsoft's cloud computing platform.

### *Stakeholder Engagement*

The ISO strives to collaboratively understand and anticipate needs, demonstrate thought leadership through high-quality analysis and communication, and nurture productive relationships with regulators and stakeholders, including the public, in supporting the four pillars of the clean energy transition.

- **Regional Energy Shortfall Threshold:** The ISO is working to define a Regional Energy Shortfall Threshold, including a minimum “manageable” metric. Dual metrics were selected for REST to address both the magnitude and duration of energy shortfall that may be experienced during extreme weather. The approach identifies the “conditional expectation” of tail cases to compute the magnitude and duration of shortfalls. The approach offers a clearer and more reliable estimate of high-impact tail risk by focusing on relevant extreme cases and reducing the noise associated with non-extreme cases.
- **Energy Assessments:** ISO-NE personnel took the lead in an effort by the North American Electric Reliability Corporation (NERC) to develop a new standard requiring balancing authorities to conduct energy reliability assessments. This standard represents a first step in supporting more transparency regarding how energy adequacy risks may impact neighboring areas—increasingly important as the Northeast sees decreasing reserve margins, as well as increasing concentration of intermittent resources.
- **Longer-Term Transmission Planning:** The ISO has established new rules to facilitate the transmission planning process to meet state policy needs, as approved by FERC in 2024. The modification to the rules creates more robust processes around longer-term transmission planning and will also clarify the various stakeholder, state, and ISO-NE roles throughout the process of developing transmission infrastructure to address the findings of longer-term transmission studies.

### *Attract, Develop, and Retain Talent*

ISO New England endeavors to develop a sense of community around its core values, mission, vision, and goals; prepare the workforce; recognize and reward employee’s success and innovation; and foster an inclusive culture that values diversity of career and life experiences

- As a result of changing economic conditions, tight labor markets, and increased turnover, the ISO engaged third-party compensation consultants in a multiyear plan to evaluate the competitiveness of the ISO’s salaries relative to similar roles in the market. Management adopted a phased approach to address salary differences, addressing the most critical positions first. This initiative concluded in November 2024, with average workforce salaries within 4% of market median.
- The ISO continued to diversify the approach to communicating about its activities and communicating about work opportunities at the ISO, broadening its reach and increasing candidate pipelines. The ISO has seen positive trends in social media platforms (e.g., an 86% “recommend to a friend” rating on Glassdoor, up from 75% in 2023). The ISO has also diversified its talent pipelines through industry group partnerships and university relations.

## Financial Data

### Results of Actual Operations

Table 1 summarizes the actual amounts and percentages of total expenses for the 2024 and 2023 calendar years.

**Table 1**  
**Actual Amounts (\$ Millions) and Percentages of Total Expenses**

Year Ended December 31	2024		2023	
Salaries and benefits	\$ 152.3	57.6%	\$ 135.0	57.4%
Depreciation and amortization expense	31.6	11.9	30.0	12.8
Professional fees and consultants	24.9	9.4	22.2	9.4
Computer services	24.1	9.1	20.5	8.7
NPCC/NERC dues and expense	8.0	3.0	7.3	3.1
Communication expense	3.9	1.5	3.1	1.3
Insurance expense	3.3	1.3	2.9	1.2
Interest expense	3.2	1.2	2.4	1.0
Building services	1.8	0.7	1.8	0.8
Information services and industry memberships	1.6	0.6	1.5	0.6
Utilities	1.6	0.6	1.5	0.6
Board of directors	1.5	0.6	1.5	0.6
Rents and leases	1.1	0.4	0.7	0.3
Administrative and other	3.8	1.4	2.8	1.2
Other expense (income)	1.9	0.7	2.4	1.0
<b>Total</b>	<b>\$ 264.6</b>	<b>100.0%</b>	<b>\$ 235.6</b>	<b>100.0%</b>

Total expenses increased by \$29.0 million, or 12.3%, from 2023 to 2024. Expenses net of depreciation, amortization, and interest increased \$26.6 million, or 13.1%, from 2023 to 2024. The changes primarily were the result of the following factors: Salaries and benefits increased \$17.3 million, or 12.8%, in 2024. Increases were the result of annual merit and promotional amounts for employees, higher average headcount including new positions added in the 2024 budget, and the impact of year-over-year changes related to the net periodic pension service cost component in accordance with *FASB Accounting Standards Codification Topic 715*.

Depreciation and amortization expense increased \$1.6 million, or 5.3%, in 2024. The primary reason for the increase is a result of the next GEneration Market (nGEM) Market Clearing Engine (MCE) project being placed into service in mid-2023, with 2024 including a full year of depreciation. Several other nGEM-related projects were also placed in service at the same time, as their usefulness was dependent on the nGEM MCE project being deployed into productive use.

The following projects also contributed to the increase in depreciation expense, to a much smaller extent:

- FCTS Infrastructure Conversion Part III
- Web to Cloud Migration

The increases were partially offset by projects becoming fully depreciated by late 2023 or early 2024, which include:

- Energy Management Platform (EMP) 3.2 Upgrade – Parts I & II
- Identity and Access Management (IAM) Phase 2
- CIMNET Simultaneous Feasibility Test with Data Transfer Enhancements
- Enterprise Application Integration Phase I

Professional fees and consultants increased \$2.7 million, or 12.2%, in 2024. Increases include those in System Planning area to support a regional study on single source limits; for distributed energy resource and minimum load studies on the necessary requirements to ensure system reliability when the system is powered solely by inverter-based resources; and work in System Operations for a northeast gas study being done in coordination with the Northeast Power Coordinating Council, as well as 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. Additional increases include those in Information Technology for consultants supporting Energy Management Services, which were predominantly assigned to internal capital work in 2023, and increases for IT management research services and other support.

Computer services increased \$3.6 million, or 17.6%, in 2024. Increases were for software maintenance costs on new products including a software-defined data management platform, firewall maintenance as part of electronic security perimeter redesign and other cybersecurity-related upgrades, and for upgraded enterprise resource planning software. Increases also include network equipment modeling service fees, increase for a networking/application infrastructure and security services enterprise agreement, for extended Windows support of products on unsupported versions, and for additional weather forecasting services.

Northeast Power Coordinating Council and North American Electric Reliability Corporation dues and expenses increased \$0.7 million, or 9.6%, due to each organization’s increased budget and the ISO’s allocation thereof.

Communication expense increased \$0.8 million, or 25.8%. 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.

Insurance expense increased \$0.4 million, or 13.8%, in 2024. Increases are due to insurance market rate changes across multiple policies, including a significant increase in cyber insurance.

Interest expense increased \$0.8 million, or 33.3%, in 2024. The increase in 2024 is primarily driven by the borrowing costs associated with the issuance of \$75 million in private placement debt and the company’s

borrowing activity on the line of credit in 2024. This increase was partially offset by a higher allocation of interest expense to work in progress on capital assets and lower balances on the tax-exempt debt.

Rents and leases increased \$0.4 million, or 57.1%, in 2024. Increases were for server leases as part of an infrastructure refresh that is expected to take place in phases over the next several years and the lease for land adjacent to the ISO's Holyoke campus.

Administrative expense is \$1.0 million, or 35.7% higher than the 2024 amount. Changes include an increase in travel-related expenses across the company as business-related travel and training continues its full recovery to in-person meetings and conferences. Additionally, this line item includes the disposal of most costs related to the Resource Capacity Accreditation (RCA) project. RCA has changed from the original design with a move to prompt/seasonal auctions in the capacity market and is being incorporated into the Capacity Auction Reforms project.

### Capital Spending

As approved by the Federal Energy Regulatory Commission (FERC), the capital expenditure budget for 2024 was \$35.0 million. Actual spending was under budget by \$1,045,100. Reduced spending was the result of obtaining updated project requirements and delaying certain projects. These decreases were partially offset by new projects that emerged, resulting in needed funding during the year. The affected projects included:

- **nGEM Real-Time Market Clearing Engine Implementation Phase I:** A portion of the costs and work budgeted in 2024 was reallocated to 2025 due to unplanned vendor resource constraints.
- **CIP Electronic Security Perimeter Redesign Phase II:** This is a multiphase project to redesign ISO-NE's electronic security perimeter networks to enhance the ISO's overall network security posture. Expenses increased due to unplanned hardware and infrastructure costs that are necessary to move the project forward. Costs were lower than budgeted due to lower internal labor than planned.
- **NGEM Software Development Part III:** This project has been reduced, resulting from shifts in development priorities, the deferral of certain components to future years, and efforts including work being subsumed under other nGEM-related projects. Below is a further discussion on this project.
- Projects that had increases in 2024 compared to the original budget included:
  - **Enterprise Resource Planning System Replacement:** This project was in planning at the time of the original 2024 budget and costs have since increased because of the full project scope being developed. See further information on this project below in the section on major 2024 projects.
  - **Space Utilization Phase I and Space Utilization Windsor:** These projects are intended to provide solutions including the potential redesign and updating of ISO-NE's two campuses to accommodate the expected employee growth in the next seven to 10 years as the region transitions to clean energy. These projects also included the relocation of approximately 80 employees to the Windsor campus in December 2024 and other minor upgrades to the Holyoke campus.

Major projects in 2024, some of which are ongoing and multiyear, are as follows:

*nGEM Software Development Parts I, II, and III and nGEM Value Added Development<sup>20</sup>*

The ISO's market management system is based on General Electric (GE) Grid Solutions suite of market applications. GE is several years into a modernization effort for its market application suite, known as the nGEM program. The nGEM Software Development project is a co-funded program among ISO-NE, GE, and two other Independent System Operators. It will enhance data transfer technology, day-ahead and real-time market clearing engines, bidding micro services, and various software upgrades. This project will extend over several years with deliverables to be completed in stages.

The nGEM Value Added Development project included operational monitoring tools, stand-alone market user interfaces, and additional enhancements to some software applications to provide additional flexibility. It was completed in September 2020 at a cost of \$792,000.

Part I delivery, which included enhanced data transfer technology and the elimination of the existing vendor platform, was completed in October 2020 at a cost of \$3,216,200.

Part II delivery, including day-ahead market clearing engine enhancements, bidding micro services, and real-time market clearing engine replacements, was completed in June 2023 at a cost of \$4,652,000.

Part III delivery implemented advanced storage support in the nGEM Market Clearing Engine (MCE) and Market CIMNet Simultaneous Feasibility Test software, enhanced the nGEM MCE to further support real-time study modes and other components, and replaced the Oracle-based workflow controller with software designed in Part II. Part III was completed in March 2025 at a cost of \$1,460,000.

*nGEM Real-Time Market Implementation Phase I*

As noted above, GE Grid Solutions is working on its next Generation Market Management System (nGEM MMS) software and ISO-NE is co-funding the core product development, in addition to customizations to meet the ISO's business requirements. The nGEM Real-Time Market Clearing Engine (RT MCE) project will build on the Day-Ahead.

During the first phase of the RT MCE project, two of the legacy RT MCE study modes (the Real-Time Unit Commitment and Coordinated Transaction Scheduling Price Engine functions) will be replaced and the transition from the current Energy Management System (EMS) to MMS interfaces will be started. The RT MCE project will provide performance improvements by enabling more intensive market clearing formulations; eliminate reliance on CSV flat files for communication of data between the MCE and other parts of the MMS; and enhance installation, patching, and upgrades of MCEs in ISO-NE infrastructure.

The target completion date of this project is May 2026, and the estimated total cost is \$14,752,200.

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20. The capital projects that fall within the scope of the nGEM software program will be put into production at the completion of all phases of the core product development. These projects include the CIMNET Simultaneous Feasibility Test with Data Transfer Enhancements project, nGEM Value Added Development, nGEM Market Clearing Engine Implementation, nGEM Software Development Parts I and II, and nGEM Hardware Phases I and II. Projects will remain in process and will not begin amortizing until the completion of all phases of the core nGEM program.

### *Day-Ahead Ancillary Services Improvements*

The Day-Ahead Ancillary Services Improvements project implemented market design enhancements for procuring and transparently pricing the ancillary services capabilities needed to develop a reliable next-day operating plan. These market enhancements procure supply capability in the Day-Ahead Market to meet the ISO's forecasted real-time load and operating reserve requirements.

The Day-Ahead Ancillary Services Improvements project incorporates market design elements into the ISO's Day-Ahead Market bidding, clearing, and settlement systems. The first main element involves including the ISO's forecast of real-time load in the Day-Ahead Market in order to ensure the load forecast is satisfied by procuring a combination of physical energy supply and a new day-ahead ancillary service (Energy Imbalance Reserve). The second main element involves procuring flexible response services in the day-ahead market to ensure the system is prepared to recover from major contingencies during the operating day. The ISO incorporated these elements into the Day-Ahead Market in a way that allows for optimal scheduling of both day-ahead energy and ancillary services. In addition, the project incorporated mitigation-related enhancements for the Day-Ahead Market to evaluate offers to provide these services and safeguard market competitiveness.

The project was completed in February 2025, with final estimated costs of \$9,071,500.

### *Manage Transmission Line Ratings*

In Order No. 881, FERC found that "because of the relationship between transmission line ratings and wholesale rates, inaccurate transmission line ratings result in wholesale rates that are unjust and unreasonable." FERC adopted reforms that impose certain obligations and compliance requirements on transmission providers and public utility transmission owners with respect to transmission line ratings in order to ensure wholesale rates more accurately reflect the cost of the wholesale service being provided.

ISO-NE will implement various Order No. 881 requirements as part of the Manage Transmission Line Ratings project, including implementation of a new GE product for submission of line ratings and other system improvements to the Real-Time and Day-Ahead energy markets and the network model application, which provides authorized users an entry system with real-time access to one-line diagrams. GE will provide four deliverables: a Limit Exchange Portal (LEP), which will allow submission of new ratings and query of current/resolved ratings; an enhanced EMS to address Order No. 881 compliance requirements; network modeling customizations, including modifications to various forms and customizations; and customizations to support WebFG software used for modeling one-line diagrams.

The target completion date of this project is December 2026, and the estimated total cost is \$7,701,900.

### *Enterprise Resource Planning System Replacement*

The ISO's current financial Enterprise Resource Planning (ERP) system reaches end-of-life in April 2026 and will need to be replaced. ERP system provides the core framework for recording and reporting financial transactions and is a key component of settling the wholesale electricity markets, securing the necessary funding for the ISO's operations, and maintaining strict compliance with reporting and filing requirements.

The ISO has selected a new cloud-based software as a service (SaaS) solution as its future ERP system that will modernize ERP capabilities by providing enhanced workflows, integrated contract management, a comprehensive financial forecasting system, and robust enterprise reporting. Use of the new software will also reduce risks and dependencies on third-party software.

The targeted completion date for this project is December 2025, and the estimated total cost is \$5,390,400.

### *CIP Electronic Security Perimeter Redesign Phase II*

CIP Electronic Security Perimeter Redesign is a multiphase project that will enhance the ISO's overall network security posture to align with industry best practices regarding resiliency, recovery, and change management. This project will also facilitate compliance with North American Electric Reliability Corporation Critical Infrastructure Protection (CIP) standards.

The Phase I scope, completed in July 2021 at a cost of \$914,800, included the reconfiguration of both ISO-NE facility data centers, the isolation and protection of management control functions, changes to network designs and firewalls to reduce complexity, and installation of conduit encryption for all inter-physical security perimeter connections. Phase II efforts will consolidate ISO-NE's production and integration networks into one electronic security perimeter with fewer electronic access points; modernize the company's firewall platform; implement a modern access control mechanism for CIP networks, replacing a legacy terminal-server-based system; and standardize ISO-NE's IP address scheme to enable easier network management. Phase II will also lay the foundation for future CIP compliance projects.

The target completion date of this project is May 2025, and the estimated total cost is \$4,804,000.

### *FERC Order No. 841*

This project implements the ISO's compliance proposal for FERC Order No. 841 and will update the ISO's market systems to account for the unique characteristics of electric storage resources. Specifically, it introduces four key bidding parameters into the Day-Ahead Energy Market: (1) Initial State of Charge, (2) Maximum State of Charge, (3) Minimum State of Charge, and (4) Round-Trip Efficiency. These updates will enable more complete modeling and add participation options for electric storage resources.

The enhancements build upon the foundation of the recently implemented nGEM Day-Ahead Market Clearing Engine (MCE) and other advanced market systems, ensuring seamless integration and minimal resource conflicts. By implementing these improvements, the ISO will better accommodate electric storage resources and their integration into markets and operations.

The targeted completion date for this project is December 2025, and the estimated total cost is \$3,463,500.

### *Operating System Server Upgrade Phase I*

Certain ISO-NE critical business functions rely on several legacy servers that will be reaching end-of-life in the near future. The Operating System Server Upgrade project will upgrade or retire these servers, as well as develop a server update life cycle that will provide consistent, standard, and modern deployments of servers that support ISO-NE's business objectives.

Phase I of the project established a life cycle process and included the upgrade or retirement of servers for which support ended in 2024. This life cycle process established a timeline for a server refresh cycle consistent with published maintenance support dates and replaces or refreshes servers prior to the end of a support period, thereby avoiding increased costs of extended server maintenance and support. This new life cycle process will also limit the number of supported operating systems, which will improve security analysis, patching efficiency, and threat vector risk.

This project was completed in December 2024, with a cost of \$1,855,100.

### *Software Development Costs*

In addition to the major projects described above, the ISO incurred \$2.3 million in software development costs during 2024. These costs supported a multitude of enhancements to existing software systems.

### *Non-Project Hardware and Software Costs*

The ISO incurred \$5.0 million of non-project-related hardware and software costs.

The ISO has a large investment in servers, storage, networking, and monitoring systems in its data center environment to support its critical roles. ISO-NE is required to ensure that deployed infrastructure is kept current with vendor-established end-of-support and end-of-life timelines. These continual refresh activities are essential to ensure ISO-NE data center services are supported with security and maintenance contracts and meet IT reliability service levels. In 2024, ISO-NE continued the upgrade of data center infrastructure to support changing hardware requirements and industry best practices.

Other key updates in 2024 included the Dense Wavelength Division Multiplexing (DWDM) network refresh, which improved capacity, reliability, and scalability to support higher data transmission speeds, ensuring system stability and preventing potential service disruptions. Additionally, investments were made in hardware and software solutions to further strengthen network security, visibility, and performance. These upgrades included security appliances, extended storage, and monitoring tools to enhance threat detection and improve network security. Lastly, conference room technology was also modernized, including video conferencing equipment, upgraded displays, and audio enhancements to improve communication and collaboration across facilities. These updates play a crucial role in enhancing network security, improving system reliability, and optimizing operational efficiency, aligning with IT modernization efforts and increasing infrastructure demands.

## **Risks**

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ISO New England is exposed to financial risk in four primary areas: interest rates, litigation, cybersecurity, and regulatory changes. The ISO historically has included in its annual budget two contingency funds to address unknown costs—a CEO emerging-work allowance and a board of directors contingency fund. These contingencies typically represent a combined 1.0% to 1.5% of the total amount to be recovered each year under Section IV.A of the *ISO New England Inc. Transmission, Markets, and Services Tariff* (ISO tariff). The CEO emerging-work allowance is used as part of the normal course of business, and allocations are controlled by the chief executive officer and chief financial and compliance officer. The board contingency fund, subject to use only through approval of the ISO New England Board of Directors, has never been used. Because the ISO does not have any capital to draw on for unknown expenses, these two contingencies are important for the ISO to operate efficiently.

### **Interest Rates**

Fluctuating interest rates can have an impact on the costs of the ISO in several ways. Specifically, the ISO earns interest on the settlement funds it collects from market participants, pays a floating interest rate on its tax-exempt bonds, and uses assumptions on interest rates to establish liabilities and costs for its pension and post-retirement benefit plans.

Historically, the average float in the settlement account had been consistently higher than the outstanding principal of the tax-exempt debt and, therefore, was an effective hedge against interest-expense rates. A decrease in the settlement float will make the hedge less effective against increasing interest rates. In 2024, the settlement float increased, on average, approximately 1.20% from 2023 levels. The average balance of the tax-exempt-issued debt remained lower than the average settlement float in 2024. However, to mitigate the risk of the uncovered hedge (i.e., the higher level of variable-rate debt compared with the settlement float), in late 2012, the ISO purchased an interest rate cap that benefits the ISO when interest rates exceed a certain level. The interest rate cap is a 10-year cap, which amortizes as the tax-exempt debt principal is repaid. The interest rate cap matured in 2024 and was not replaced. The ISO regularly analyzes the interest rate

environments to ensure that its debt structure is as cost-effective as possible, and it reviews all debt and funding needs.

Interest rates also are used in the discount-rate assumptions for establishing the liabilities and costs associated with the ISO's pension and post-retirement plans. Lower interest rates result in increased costs for these plans when the rates filed in the ISO tariff for recovery include using the calculated expense amount for the cost of these items. For years before 2016, the rates filed for recovery were inclusive of this approach for the pension and post-retirement plans. For 2016 and forward, only the post-retirement benefit plan will be affected by the change in interest rates. In 2016, the ISO implemented a level-funding approach to the pension benefit plans, rather than the historical method of funding the expense amount as calculated, in accordance with the *FASB Accounting Standards Codification*, for the defined benefit pension and other post-retirement plan topic. The level-funding approach will reduce the volatility of the pension plan expense included in the tariff while still providing reasonable assurance for sufficient funding of the pension plan.

### **Litigation**

The ISO also has potential exposure to costs resulting from litigation. The ISO does not budget for unforeseen litigation costs during the normal budgeting process. Therefore, any material unexpected litigation that arises during the course of the year would pose a risk to the ISO's ability to operate within the approved budget.

### **Cybersecurity**

Cybersecurity remains a critical national security priority as the landscape of threats continues to evolve rapidly. Throughout 2024, external industry observations indicated a notable rise in the complexity and frequency of cyber incidents, including increasingly sophisticated ransomware, supply-chain compromises, advanced phishing schemes, and social engineering campaigns. The ISO remains vigilant in proactively identifying and mitigating emerging threats by leveraging intelligence from trusted external sources such as the Cybersecurity and Infrastructure Security Agency (CISA), industry information-sharing forums, and strategic partnerships. ISO-NE systems and networks contain extensive amounts of critical and sensitive information related to the bulk power system and internal operations, necessitating rigorous protection. To address these ongoing external challenges, the ISO continues strategically enhancing investments in cybersecurity resources, technologies, and training, ensuring comprehensive monitoring, rapid threat detection, incident response capabilities, and continuous improvement in cyber defenses.

### **Regulatory Changes**

The ISO is regulated by the Federal Energy Regulatory Commission (FERC) and, therefore, FERC regulatory actions can directly affect the ISO's workload. In addition, state policy activity may drive changes to the wholesale markets, system planning, and operations. The impact of these federal and state actions could result in additional costs associated with new requirements.

## Billing and Market and Credit Risk Management

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The ISO is responsible for the billings associated with the wholesale electricity markets for New England's bulk power generation and transmission system. It also must ensure that proper measures are in place to mitigate participants' exposure to credit risk from transacting in the ISO-NE-administered markets. Since the launch of the wholesale markets in 1999, the ISO has continually reviewed its billing and financial assurance policies and, since 2004, has made great strides in reducing the credit risk for market participants.<sup>21</sup>

In 2024, the ISO continued to strengthen the policies.

### Forward Capacity Market Conversion to Prompt Auction

In September 2024, the ISO filed changes to its Financial Assurance Policy.<sup>22</sup> These changes were necessitated by, and directly result from, the filing accepted by FERC to delay the next Forward Capacity Auction (FCA) to provide the region time to convert the current forward auction design to a prompt, seasonal market construct. As part of that delay, the ISO created a backstop mechanism that, in the absence of a transition to a prompt market, would return the region to a three-year forward market by holding auctions on an accelerated timeframe and closer in time to the capacity commitment period for a period of years, beginning with February 2028.

This delay of the next subsequent auction (*i.e.*, FCA 19) for a period of three years, and the related backstop mechanism, resulted in the need for conforming changes to the pre- and post-auction non-commercial capacity financial assurance (NCCFA) amount formulas. The revisions to ISO-NE's tariff Section I, Exhibit IA—Financial Assurance Policy, are to: (1) ensure that the post-auction NCCFA multiplier continues to increase annually during the three-year delay of the next FCA, (2) ensure that the formula for calculating the NCCFA amount directly before an FCA (pre-auction NCCFA amount) remains generally consistent with the formula for calculating NCCFA required upon completion of an FCA (post-auction NCCFA amount), and (3) eliminate an NCCFA provision that is no longer relevant due to the passage of time (ministerial revision).

These changes were accepted by the FERC in November 2024.

### FCM Delivery Financial Assurance

Forward Capacity Market (FCM) Delivery Financial Assurance is one component of the financial assurance that a market participant is required to provide if it is participating in the FCM and has acquired a capacity supply obligation. One design feature of the FCM is the Pay-for-Performance (PFP) construct, which provides incentives for resources that perform during capacity scarcity conditions (CSCs) and, conversely, penalizes resources that do not perform or underperform during such conditions. Resultantly, a resource's net capacity payments (*i.e.*, payments or charges based on performance during a CSC event) may be negative and, therefore, the Financial Assurance Policy contains requirements to collateralize the possibility of net payment obligations under PFP.

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21. *ISO New England Inc. Transmission, Markets, and Services Tariff*, Section I, General Terms and Conditions: Exhibit IA, ISO New England Financial Assurance Policy (Feb. 1, 2025) and Exhibit ID, ISO New England Billing Policy (Feb. 20, 2023), <https://www.iso-ne.com/participate/rules-procedures/tariff/>.

22. ISO New England Inc., *Revisions to ISO New England Inc. Transmission, Markets, and Services Tariff to Update the FCM Delivery Financial Assurance Calculation in the Financial Assurance Policy for Participants with Inadequate Corporate Liquidity*, FERC filing, Docket No. ER24-\_\_-000 (Sept. 18, 2024), [https://www.iso-ne.com/static-assets/documents/100015/rev\\_to\\_fcm\\_delivery\\_fca\\_calc\\_in\\_fap.pdf](https://www.iso-ne.com/static-assets/documents/100015/rev_to_fcm_delivery_fca_calc_in_fap.pdf).

While the PFP collateral design (i.e., the FCM Delivery Financial Assurance formula) has performed well during the short-duration CSCs that have occurred to date, there is an increasing risk of CSCs resulting from extreme weather. At the same time, capacity performance payment rates increased in 2024 and will increase again in 2026. Increased capacity performance payment rates mean that the penalties incurred by resources that underperform will also increase, exacerbating any collateral shortfall risks.

Furthermore, the ISO has monitored the disputes between other control areas and their members over Winter Storm Elliott “non-performance” charges and generator defaults. The extreme weather and these emerging disputes in other control areas prompted ISO-NE to perform further analysis on the current PFP collateral design.

In December 2023, the ISO filed changes to the Financial Assurance Policy with FERC, which were accepted in February 2024, that included three enhancements to the FCM Delivery Financial Assurance formula: (1) increase of the scaling factor for winter months; (2) inclusion of more recent operating performance data in the capacity-weighted average performance calculation; and (3) inclusion of a new variable in the formula to collateralize performance penalties that have been incurred in the current month, but not yet billed. These three changes will significantly reduce the risk of a default in the markets by utilizing more current data reflecting the operating characteristics of the market participants’ resources.<sup>23</sup>

In September 2024, the ISO filed further revisions to the Financial Assurance Policy related to the support of shortfall risks for higher-liquidity-risk entities that have acquired a CSO. As a result of the ISO’s continued monitoring of disputes between other control areas and their members, and more specifically the inability of generators in those control areas to pay assessed charges, the ISO proposed additional revisions to FCM financial assurance.

The ISO determined that two primary risks needed to be addressed: (1) the risk that substantial collateral shortfalls could result if the FCM Delivery Financial Assurance formula was not modified; and (2) the higher nonpayment risk posed by capacity sellers with inadequate corporate liquidity risk profiles. The first risk was addressed by the improvements made to the FCM Delivery Financial Assurance formula that became effective March 1, 2024.

The September 2024 filing of revisions to the Financial Assurance Policy addressed the inadequate corporate liquidity risk. The proposed revisions include allowing the ISO’s customer to rely on the parent liquidity through a parental guarantee, or if that is not available, the riskier entity is required to post additional collateral in one of the other forms acceptable under the policy.

These changes were accepted by FERC in January 2025.

The ISO will continue to work closely with market participants to reduce default risk, improve collateral requirements on established markets, design new requirements for emerging markets, and minimize the settlement cycle time whenever possible.

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23. ISO New England Inc. and New England Power Pool, *Revisions to ISO New England Inc. Transmission, Markets, and Services Tariff to Update the FCM Delivery Financial Assurance Calculation in the Financial Assurance Policy*, FERC filing, Docket No. ER24-661-000 (Dec. 14, 2023), [https://www.iso-ne.com/static-assets/documents/100006/update\\_to\\_fcm\\_delivery\\_financial\\_assurance\\_calc\\_in\\_fap.pdf](https://www.iso-ne.com/static-assets/documents/100006/update_to_fcm_delivery_financial_assurance_calc_in_fap.pdf).

## Various Market Services and Participation Data

Table 2 compares key settlement market information for 2024 and 2023 for the markets the ISO oversees.

**Table 2**  
**Settlement Market Information (\$ in Millions)**

Key Settlement Market Data for the Years Ending <sup>(a)</sup>	2024	2023
	\$ in Millions	
<b>Energy markets</b>		
Day-Ahead Energy	\$5,561.8	\$4,810.0
Real-Time Energy <sup>(b)</sup>	\$89.1	\$53.1
<b>Total energy markets</b>	<b>\$5,650.9</b>	<b>\$4,863.1</b>
Real-time load obligation (MWh) <sup>(c)</sup>	127,552,618	124,209,996
Net Commitment-Period Compensation (NCPC)	\$34.7	\$34.4
<b>Total NCPC</b>	<b>\$34.7</b>	<b>\$34.4</b>
<b>Reserve markets</b>		
Forward Reserve Markets, net	\$63.1	\$101.4
Real-Time Reserve Markets	\$15.1	\$11.5
<b>Total reserve markets</b>	<b>\$78.2</b>	<b>\$112.9</b>
Regulation Market	\$18.7	\$25.4
<b>Total Regulation Market</b>	<b>\$18.7</b>	<b>\$25.4</b>
Forward Capacity Market payments	\$1,247.7	\$1,308.1
Financial Transmission Rights—long-term auction	\$15.8	\$23.8
Financial Transmission Rights—monthly auction	\$18.4	\$17.3
<b>Total Auction Revenue Rights</b>	<b>\$34.2</b>	<b>\$41.1</b>
<b>OATT charges<sup>(d)</sup></b>		
Regional network service—through or out	\$2,868.4	\$2,581.9
Blackstart	\$44.0	\$38.4
Volt ampere reactive capacity cost	\$16.2	\$17.8
IROL-CIP	\$2.3	\$0.8
<b>Total OATT charges</b>	<b>\$2,930.9</b>	<b>\$2,638.9</b>
Demand Response Payments	\$0.3	\$0.7
Mystic Cost of Service	\$138.8	\$464.6
Inventoried Energy Program	\$79.7	\$26.6

(a) Data shown in the table above reflects settled operational days Jan. 1 through Dec. 31 of the respective years.

(b) The Real-Time Energy total includes the value of the Marginal Loss Revenue Fund.

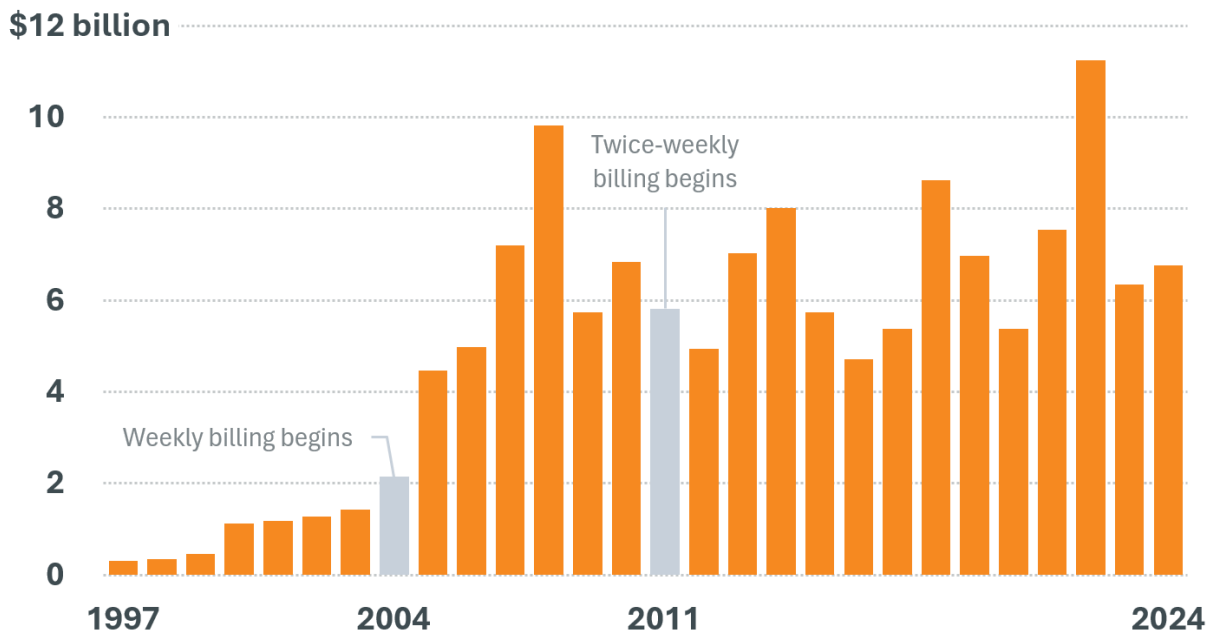
(c) The real-time load obligation reflects load at all pricing locations in New England, including exports at the external nodes.

(d) OATT stands for the ISO's *Open-Access Transmission Tariff*, Section II of the *ISO New England Inc. Transmission, Markets, and Services Tariff*; see <https://www.iso-ne.com/participate/rules-procedures/tariff/oatt>.

The following measures are key indicators of the cash that clears through the ISO:

- The ISO’s aggregate customer base has increased by approximately 1.0% year over year (i.e., 532 customers in 2023, 544 customers in 2024). The ISO’s customers include generators, suppliers, publicly owned entities, transmission owners, demand response resources, alternative resources, end users, and a few smaller groups, including data-only and provisional groups.
- The net cash cleared in 2024 was \$6.8 billion, compared with \$6.3 billion in 2023, which is an increase of approximately 8%.

Figure 1 shows historical market-clearing activity from 1997 to 2024.



Note: Data from 1997 and 1998 are estimated.

Figure 1: Annual historical market-clearing activity, 1997–2024

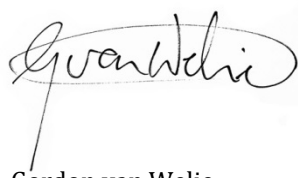
## Management's Responsibility for Financial Reporting

The management of ISO New England Inc. (ISO-NE or the ISO) is responsible for the preparation, objectivity, and presentation of the following financial statements, as well as for the integrity of these statements. These financial statements have been prepared to conform to accounting principles generally accepted in the United States and, where required, include amounts that represent management's best judgments and estimates. The ISO's management also is responsible for the preparation of other information in this annual report and for its accuracy and consistency with the financial statements.

To aid in carrying out this responsibility, we, along with all other members of management, maintain a system of internal accounting control modeled after the Committee of Sponsoring Organizations of the Treadway Commission, or the COSO framework. In the opinion of management, the overall system of internal accounting control provides reasonable assurance that the ISO's assets are safeguarded and that transactions are executed in accordance with the management's authorization and are properly recorded for the preparation of financial statements. In addition, management believes the overall system of internal accounting control provides reasonable assurance that, in the normal course of their duties, employees prevent or detect material errors or irregularities on a timely basis.

Any system of internal accounting control, no matter how well designed, has inherent limitations, including the possibility that controls can be circumvented or overridden and misstatements due to error or fraud can occur and not be detected. Also, because of changing conditions, the effectiveness of internal control can vary over time. Accordingly, even an effective system of internal control will provide only reasonable assurance about the preparation and reporting of financial statements.

The system of internal accounting control is supported by written policies and guidelines, the selection and training of qualified employees, an organizational structure that provides an appropriate division of responsibility, and a program of internal auditing. The ISO's written policies include a Code of Conduct that states management's policy on conflicts of interest and ethical conduct. All personnel annually confirm their compliance with the Code of Conduct.



Gordon van Welie  
President and Chief Executive Officer



Robert C. Ludlow  
Vice President, Chief Financial and  
Compliance Officer

# **ISO New England Inc.**

**Financial Statements**

**For the Years Ended December 31, 2024 and 2023**

**(With Independent Auditors' Report Thereon)**

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KPMG LLP  
515 Broadway  
Albany, NY 12207-2974

## Independent Auditors' Report

The Board of Directors  
ISO New England Inc.:

### *Opinion*

We have audited the financial statements of ISO New England Inc. (the Company), which comprise the statements of financial position as of December 31, 2024 and 2023, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2024 and 2023, and the results of its operations and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

### *Basis for Opinion*

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Responsibilities of Management for the Financial Statements*

Management is responsible for the preparation and fair presentation of the financial statements in accordance with U.S. generally accepted accounting principles, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for one year after the date that the financial statements are issued.

### *Auditors' Responsibilities for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.



- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

KPMG LLP

Albany, New York  
March 19, 2025

**ISO New England Inc.**  
**Statements of Financial Position**  
**As of December 31, 2024 and 2023**

	<u>2024</u>	<u>2023</u>
	(In thousands)	
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 231,269	\$ 70,012
Restricted cash on deposit	12,654	10,224
Security deposits	253,479	234,322
Unbilled receivables, net	45,627	37,057
Prepaid expenses and other assets	6,909	6,171
Regulatory assets - current	4,843	—
Noncurrent assets:		
Property and equipment in-service, net	68,448	82,913
Work in process	43,059	26,746
Right-of-use asset	3,970	1,190
Restricted cash on deposit	19,404	19,217
Other assets	4,266	3,267
Deferred charges	560	599
Pension and other postretirement benefit asset	5,749	—
Regulatory assets	—	21,385
Total assets	<u>\$ 700,237</u>	<u>\$ 513,103</u>
<b>Liabilities and Net Assets</b>		
Current liabilities:		
Accounts payable:		
Settlement, net	\$ 181,125	\$ 53,671
Administration	19,270	11,902
Deposit payable	297,060	279,257
Interest payable	1,054	539
Accrued compensation, current	27,939	24,446
Regulatory liability, current	—	3,007
Lease liability, current	1,306	513
Restricted cash on deposit payable, current	12,654	10,224
Long-term debt, current	3,180	53,178
Long-term liabilities:		
Pension and other postretirement benefit liability	—	16,542
Accrued compensation, net of current portion	8,134	6,549
Lease liability, net of current portion	2,666	677
Restricted cash on deposit payable, net of current portion	19,404	19,217
Regulatory liability, net of current portion	21,350	—
Long-term debt	105,095	33,381
Total liabilities	700,237	513,103
Net assets without donor restrictions	—	—
Total liabilities and net assets	<u>\$ 700,237</u>	<u>\$ 513,103</u>

The accompanying notes are an integral part of these financial statements

**ISO New England Inc.**  
**Statements of Activities**  
**For Years Ended December 31, 2024 and 2023**

	<u>2024</u>	<u>2023</u>
	(In thousands)	
Changes in net assets without donor restrictions:		
Revenues:		
ISO tariff revenues	\$ 277,939	\$ 228,808
(Over) under collection ISO tariff revenues	(15,601)	4,843
Interest income	2,087	1,793
Fees and services	166	157
	<u>264,591</u>	<u>235,601</u>
Expenses:		
Salaries and benefits	152,264	134,959
Depreciation and amortization expense	31,583	30,034
Professional fees and consultants	24,873	22,200
Computer services	24,115	20,469
NPCC/NERC dues and expenses	8,048	7,277
Communication expense	3,856	3,138
Insurance expense	3,263	2,927
Interest expense	3,237	2,437
Building services	1,846	1,800
Information services and industry memberships	1,649	1,499
Utilities	1,575	1,540
Board of directors	1,528	1,543
Rents and leases	1,104	676
Administrative expense	3,796	2,743
Other expense	1,854	2,359
	<u>264,591</u>	<u>235,601</u>
Change in net assets without donor restrictions	—	—
Net assets without donor restrictions, beginning of year	<u>—</u>	<u>—</u>
Net assets without donor restrictions, end of year	<u>\$ —</u>	<u>\$ —</u>

The accompanying notes are an integral part of these financial statements

**ISO New England Inc.**  
**Statements of Cash Flows**  
**For Years Ended December 31, 2024 and 2023**

	<u>2024</u>	<u>2023</u>
	(In thousands)	
Cash flows from operating activities:		
Change in net assets without donor restrictions	\$ -	\$ -
Adjustments to reconcile change in net assets without donor restrictions to net cash provided by (used in) operating activities:		
Depreciation and amortization expense	31,648	30,162
Amortization of right to use asset	(2,780)	694
Loss on disposal	393	21
Change in operating assets and liabilities that provide (use) cash:		
Unbilled receivable, net	(8,570)	1,979
Prepaid expenses and other assets	(738)	1,209
Regulatory assets	-	(4,843)
Accounts payable:		
Settlement	127,454	(93,370)
Administration	3,000	1,215
Accrued compensation	5,078	5,415
Lease liability	2,782	(694)
Interest payable	515	48
Regulatory liability	12,594	(14,609)
Net cash provided (used in) by operating activities	<u>171,376</u>	<u>(72,773)</u>
Cash flows from investing activities:		
Capital expenditures	(29,586)	(35,407)
Other assets	(999)	(1,142)
Net cash used in investing activities	<u>(30,585)</u>	<u>(36,549)</u>
Cash flows from financing activities:		
Security deposits	(19,157)	99,087
Restricted cash on deposit payable	2,617	(9,890)
Deposit payable	17,803	(94,889)
Borrowing on long-term debt	75,000	-
Repayment on long-term debt	(53,180)	(3,180)
Borrowing on revolving credit	16,000	-
Repayment on revolving credit	(16,000)	-
Net cash provided by (used in) financing activities	<u>23,083</u>	<u>(8,872)</u>
Net change in cash, cash equivalents and restricted cash	163,874	(118,194)
Cash, cash equivalents and restricted cash at beginning of year	<u>99,453</u>	<u>217,647</u>
Cash, cash equivalents and restricted cash at end of year	<u>\$ 263,327</u>	<u>\$ 99,453</u>
Supplemental data:		
Amounts included in Accounts Payable - Administration related to work in process	<u>\$ 7,690</u>	<u>\$ 3,322</u>
Cash paid during the year for interest, net of interest capitalized	<u>\$ 2,723</u>	<u>\$ 2,387</u>
Non-cash activity:		
Change in pension liability is offset by regulatory assets	\$ (10,936)	\$ (8,125)
Right of Use assets obtained in exchange for lease liability	3,713	364

The accompanying notes are an integral part of these financial statements

**1. Summary of Significant Accounting Policies**

**Description of Business**

ISO New England Inc. (the “Company” or “ISO”) is the Regional Transmission Organization (“RTO”) for New England in compliance with the requirements of the Federal Energy Regulatory Commission (“FERC”). On January 1, 2013, the ISO became the central counterparty to market transactions that flow through the ISO. The change to central counterparty was the result of a FERC rulemaking designed to afford the ISO and market participants (“Participants”) more protection in bankruptcy. The ISO’s assumption of the central counterparty role did not have a material effect on the ISO’s settlement of the markets or on business operations.

The ISO’s mission, in collaboration with its stakeholders, is to ensure that New England has reliable, competitively priced wholesale electricity through three interconnected responsibilities: managing the operation of the region’s high-voltage power grid; administering the region’s billion-dollar competitive markets for buying and selling wholesale electricity; and engaging in planning, studies, and analysis to make sure New England’s electricity needs will be met over the next ten years and beyond.

The ISO is governed by an independent board of directors and is regulated by FERC. FERC’s mandated or approved rules are detailed in the ISO New England Inc. Transmission, Markets, and Services Tariff (the “Tariff” or “ISO Tariff”).

On January 13, 2014, the ISO, along with several Reliability Coordinators (as that term is defined by the North American Electric Reliability Corporation (“NERC”)), became a member of EIDSN, Inc. (“EIDSN”). EIDSN is a 501(c)(6), nonstock, nonprofit corporation that was established to, among other things, facilitate the secure, consistent, effective, and efficient sharing of important electric transmission and operational data among its members and/or other applicable parties to help improve electric industry operations and promote the reliable and efficient operation of the bulk power system.

**Basis of Accounting and Presentation**

The accompanying financial statements have been prepared on an accrual basis of accounting in accordance with U.S. generally accepted accounting principles and Financial Accounting Standards Board Accounting Standards Codification (FASB ASC) Topic 980, *Regulated Operations*, and FASB ASC 958, *Not-for-Profit Entities*.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant items subject to such estimates and assumptions include the useful lives of fixed assets; and assumptions utilized in the accounting for employee benefit obligations such as discount rates, return on assets, fair value of investments and other contingencies.

**Regulatory Accounting**

The Company’s financial statements are prepared in accordance with generally accepted accounting principles for rate-regulated entities. As such, regulators may permit specific incurred costs, typically treated as expenses by unregulated entities, to be deferred and expensed in future periods when it is probable that such costs will be recovered in customer rates. Incurred costs are deferred as regulatory assets when the ISO concludes that it is probable future revenues will be provided to

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permit recovery of the previously incurred cost. A regulatory liability is recorded when amounts that have been recorded by the ISO are likely to be refunded to customers through the rate-setting process.

**Cash and Cash Equivalents**

The Company considers cash on hand and short-term marketable securities with original maturities of three months or less to be cash equivalents. The cash equivalents at December 31, 2024 and 2023 were held in overnight repurchase agreements, money market accounts as well as in direct and indirect obligations of the United States, with original maturities of three months or less.

**Restricted Cash on Deposit**

The balance of approximately \$32,058,000 and \$29,441,000 at December 31, 2024 and 2023, respectively, recorded as restricted cash on deposit, represents the Forward Capacity Market Forfeited Funds, the Congestion Revenue Fund, the FERC Order Funds, and Cluster Study Funds. The balance has a corresponding liability on the accompanying Statements of Financial Position. The restricted cash on deposit at December 31, 2024 and 2023 was held in overnight repurchase agreements and in direct and indirect obligations of the United States of America, with original maturities of three months or less.

The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported within the Statements of Financial Position that sum to the total of the same such amounts shown in the Statements of Cash Flows.

	<b>December 31,</b>	
	<b>2024</b>	<b>2023</b>
Cash and cash equivalents	\$ 231,269,000	\$ 70,012,000
Restricted cash on deposit	12,654,000	10,224,000
Restricted cash on deposit, net of current portion	19,404,000	19,217,000
<b>Total</b>	<b>\$ 263,327,000</b>	<b>\$ 99,453,000</b>

The cash and cash equivalents and restricted cash on deposit are recorded at fair market value and are classified as Level 1.

**Accounts Receivable and Accounts Payable**

In the course of bulk power transactions administered by the Company on behalf Participants, amounts for energy purchased and sold among Participants become payable to and receivable from such Participants. The Company summarizes and prices the energy transactions and provides an invoice or remittance advice to each Participant that summarizes the amount either receivable from or payable to each Participant twice per week.

Accounts payable on the accompanying Statements of Financial Position are segregated between (i) the amounts owed for energy transactions and transmission, for which the ISO functions as paying agent, and are included in Accounts payable as “Settlement, net,” and (ii) the administrative expenses incurred by the Company in the course of operations. The reference to “Settlement, net” is used due to the nature of billing and payment for the amounts owed for energy transactions and transmission markets, and represents the Participants’ net amount due, less any amounts that may have been owed to them.

The net unbilled receivables, the majority of which have been determined from the settlement process, include those amounts that will be billed and included in the invoice or remittance advice

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to Participants on subsequent invoices issued twice per week. The balance at the end of the year primarily represents ISO Tariff revenues. The net payables and receivables for these energy transactions are settled with the Participants in the same week.

**Property and Equipment in Service and Work in Process**

Property and equipment in service is stated at cost, net of accumulated depreciation and amortization. The Company capitalizes the interest and fees associated with borrowings that the Company has entered into for the acquisition of assets related to a project that has a material effect on the Company's financial position as required by FASB ASC Topic 980, *Regulated Operations*.

The Company capitalizes the cost of payroll, payroll-related costs and third-party consulting fees incurred in the direct development or enhancement of solutions as internal-use software. Development costs incurred during the preliminary project stage or costs incurred for requirements gathering, data conversion activities, training, maintenance and minor enhancements are expensed as incurred. Development costs incurred for the coding, configuration, interfacing, automation and testing of new functionality after the preliminary project stage is complete are capitalized. Capitalized software costs are amortized on a straight-line basis over three to five years based on the nature and estimated useful life of the applicable solution. Amortization of capitalized software costs is included in depreciation and amortization expense within the Statements of Activities.

**Depreciation and Amortization**

Depreciation is generally computed using the straight-line method over an estimated useful life ranging from three years to twenty-five years (e.g., computer hardware, software and accessories – three to five years; software development costs – three to five years; vehicles – three to seven years; furniture and fixtures and machinery and equipment – seven years; building and building improvements – one to twenty-five years or remaining life of the building improvement; and building – twenty-five years). Capitalized interest and fees are amortized over the same useful life of the asset to which it pertains, principally software development costs and building. No depreciation is recorded for assets classified as work in process until the assets are placed into service (Note 3).

**Leases**

The Company determines whether an arrangement is a lease at the inception of the arrangement based on the terms and conditions in the contract. A contract contains a lease if there is an identified asset and the Company has the right to control the asset.

Right-of-use ("ROU") assets represent the Company's right to use an underlying asset for the lease term and lease liabilities represent the Company's obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at the commencement date based on the present value of lease payments over the lease term. Most of the Company's leases do not provide the lessor's implicit rate; the Company uses its incremental borrowing rate at the commencement date in determining the present value of lease payments. Lease terms include options to extend the lease when it is reasonably certain those options will be exercised. The Company has not entered into any leases that contain a residual value guarantee or a variable lease payment. Leases with an initial term of 12 months or less are not recorded on the Statements of Financial Position, and lease expense is recognized on a straight-line basis over the lease term.

The Company has lease agreements with lease and non-lease components, which are accounted for as a single lease component for all asset classes. Additionally, for equipment leases, the portfolio approach is applied to account for the operating lease ROU assets and lease liabilities. In the Statements of Activities, lease expense for operating lease payments is recognized on a straight-line basis over the lease term.

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**Deferred Charges and Regulatory Assets and Liabilities**

As a regulated entity, the Company, in appropriate circumstances, establishes regulatory assets or liabilities, and thereby defers the Statements of Activities impact of certain charges or revenues because it is probable to be collected or refunded through future customer billings.

The Company incurred costs with the purchase of land located at Helmsford Way for which the costs were deferred and amortized. The current year amortization is included in the current year's filing pursuant to Section IV.A, Recovery of ISO Administrative Expenses, of the ISO Tariff. The remaining cost for the land located at Helmsford Way will be collected in future filings.

The following table is a detail of the deferred charges, regulatory assets and liabilities balances as presented in the accompanying Statements of Financial Position at December 31:

<b>Deferred charges</b>	<b>2024</b>	<b>2023</b>
Land located on Helmsford Way	\$ 560,000	\$ 599,000
	<u>\$ 560,000</u>	<u>\$ 599,000</u>
<b>Regulatory assets - current</b>	<b>2024</b>	<b>2023</b>
Actual 2023 under collection	\$ 4,843,000	\$ -
	<u>\$ 4,843,000</u>	<u>\$ -</u>
<b>Regulatory assets, net of current portion</b>	<b>2024</b>	<b>2023</b>
Actual 2023 under collection	\$ -	\$ 4,843,000
Asset related to pension and postretirement benefit liabilities (Note 5)	-	16,542,000
	<u>\$ -</u>	<u>\$ 21,385,000</u>
<b>Regulatory liability - current</b>	<b>2024</b>	<b>2023</b>
Actual 2022 over collection	\$ -	\$ 3,006,000
Market to Market Interest Rate Cap	-	1,000
	<u>\$ -</u>	<u>\$ 3,007,000</u>
<b>Regulatory liability, net of current portion</b>	<b>2024</b>	<b>2023</b>
Actual 2024 over collection	\$ 15,601,000	\$ -
Pension and postretirement benefit liabilities (Note 5)	5,749,000	-
	<u>\$ 21,350,000</u>	<u>\$ -</u>

**Income Taxes**

The Company is an entity organized as a non-stock corporation under the General Corporation Law, as amended, of the State of Delaware. The Company has been recognized by the Internal Revenue Service as an organization described in Internal Revenue Code (IRC) 501(c)(3) and is generally exempt from income taxes under IRC Section 501(a). The Company has determined prior to recording any benefit in the financial statements that it is more likely than not that the tax position will be sustained upon examination by the appropriate taxing authorities, as required by the Accounting for Uncertainty within Income Taxes in FASB ASC Topic 740, *Income Taxes*. A tax position is measured at the largest amount of benefit that is greater than fifty percent likely of being realized upon settlement.

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**Pension and Other Postretirement Plans**

The Company has two noncontributory defined benefit pension plans (one for union and the other for non-union employees). The benefits are based on age, years of service, and average compensation. The Company also sponsors a defined postretirement benefit health, dental, and life insurance plan.

The Company records annual amounts relating to its pension and other postretirement plans based on calculations that incorporate various actuarial and other assumptions, including discount rates, mortality, assumed rates of return, compensation increases, turnover rates, and healthcare cost trend rates. The Company reviews its assumptions on an annual basis and makes modifications to the assumptions based on current rates and trends when it is appropriate to do so. The Company believes the assumptions utilized in recording its obligations under its plans are reasonable based on its experience and market conditions.

**Security Deposits and Deposit Payable**

The Participants are required to comply with the Financial Assurance Policy under the ISO's Tariff. Under the Financial Assurance Policy, most Participants are required to provide financial assurance due to their market activity or if they do not qualify for a credit limit. Participants must provide such financial assurance in an acceptable form which may be cash collateral. Any Participant utilizing the cash collateral option must sign a security agreement with the ISO granting the ISO a continued security interest in the collateral. The balance at December 31, 2024 and 2023 were \$253,479,000 and \$234,322,000, respectively, and recorded as an asset on the accompanying Statements of Financial Position.

The following table provides a reconciliation of Deposit Payable as reported within the Statements of Financial Position.

	<b>December 31,</b>	
	<b>2024</b>	<b>2023</b>
Security deposit payable	\$ 253,479,000	\$ 234,322,000
System Impact Studies deposit	41,076,000	42,292,000
Forward Capacity Market deposit	1,999,000	2,364,000
Other deposit payable	506,000	279,000
	<u>506,000</u>	<u>279,000</u>
Total	<u>\$ 297,060,000</u>	<u>\$ 279,257,000</u>

**Revenue Recognition**

The Company recovers its operating and debt service costs pursuant to Section IV of the ISO's Tariff, which provides for recovery of expenses through three schedules to Section IV.A. Scheduling, System Control and Dispatch Service (Schedule 1), Energy Administration Service (Schedule 2), and Reliability Administration Service (Schedule 3) recover related costs through a pre-approved rate applied to each month's activity. Schedules 1, 2, and 3 are subject to true-up through subsequent years' rates, and any over or under collection are recorded as regulatory assets or regulatory liabilities and will be recovered under future filings to recover the ISO's expenses.

In addition to the recovery of these operating and debt service costs, the Company acts as a billing agent for a number of different pass-through expenditures on behalf of Participants and other regulatory bodies, including system impact study expenses, the FERC's Annual Electric Charges, and amounts related to the annual budget of the New England States' Committee on Electricity, each as required by the Tariff.

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**Concentrations**

The Company's top 10 Participants represented approximately 52% or \$142,811,000 and 51% or \$109,397,000 in Tariff revenues for the years ended December 31, 2024 and 2023, respectively. The Company's top 10 Participants with unbilled receivable balances represented approximately 51% or \$22,920,000 and 51% or \$17,852,000 as of December 31, 2024 and 2023, respectively.

**Liquidity Information**

In order to provide additional information about liquidity, assets have been sequenced according to their nearness to conversion to cash, and liabilities have been sequenced according to the nearness of their resulting use of cash. Financial assets available for general expenditures without donor or other restrictions limiting their use, within one year of the respective Statements of Financial Position date, comprise the following:

	<b>December 31,</b>	
	<b>2024</b>	<b>2023</b>
Cash and cash equivalents	\$ 231,269,000	\$ 70,012,000
Unbilled receivables, net	45,627,000	37,057,000
Total	<u>\$ 276,896,000</u>	<u>\$ 107,069,000</u>

The Company's recovery of operating and debt service cost, as described in the Revenue Recognition and Accounts Receivable and Accounts Payable disclosure within this footnote, are collected in arrears, and as a result, the Company's working capital and cash flows may vary throughout the year. To manage unanticipated liquidity needs, the Company has in place a revolving credit agreement, as described within Credit Facilities (Note 4), to be used as needed to cover expenses as a result of the timing of cash flows.

**Fair Value of Financial Instruments**

In determining fair value of financial assets and liabilities, the Company uses various valuation techniques. The availability of inputs observable in the market varies from instrument to instrument and depends on a variety of factors including the type of instrument, whether the instrument is actively traded, and other characteristics particular to the transaction. For many financial instruments where pricing inputs are readily observable in the market, the used valuation methodology is widely accepted and does not require significant management discretion. For other financial instruments, pricing inputs are less observable in the market and may require management's judgment. The level in the fair value hierarchy within which a fair value measurement in its entirety falls is based on the lowest-level input that is available for that particular financial instrument.

We assess the inputs used to measure fair value using the following three-tier hierarchy, which indicates the extent to which inputs used are observable in the market.

Level 1 Valuation is based upon unadjusted quoted prices for identical instruments traded in active markets.

Level 2 Valuation is pricing inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the same term of the assets. Inputs are obtained from various sources including investors and dealers.

Level 3 Valuation is generated from model-based techniques that use at least one significant assumption not observable in the market. These unobservable assumptions may include

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management's own judgments about the assumptions investors would use in pricing the asset or liability. Valuation techniques include use of option pricing models, discounted cash flow models and similar techniques.

**2. Commitments and Contingencies**

**Capital and Administrative Funding Tariff**

FERC accepted the ISO's capital and administrative funding filings to recover administrative expenses for 2024 and 2023. These filings, made pursuant to Section IV of the Tariff, support the ISO's loan arrangements with various banks and note holders to fund the capital and working capital requirements of the Company.

**Legal Proceedings**

The Company is involved in various claims and legal proceedings of a nature considered normal to its business. The claims are in various stages and some may ultimately be brought to trial. While it is not feasible to predict or determine the outcome of these claims, it is the opinion of management that the final outcome of these claims will not materially impact the operating results of the Company.

**3. Property and Equipment In-Service, Net and Work in Process**

	December 31,	
	<u>2024</u>	<u>2023</u>
Computer hardware, software and accessories	\$ 275,701,000	\$ 275,256,000
Software development costs	111,228,000	109,044,000
Furniture and fixtures	4,442,000	4,439,000
Machinery and equipment	392,000	382,000
Building and building improvements	67,899,000	67,693,000
Capitalized interest and fees	10,514,000	10,043,000
Vehicles	19,000	19,000
	<u>470,195,000</u>	<u>466,876,000</u>
Less: accumulated depreciation and amortization	<u>(401,747,000)</u>	<u>(383,963,000)</u>
Property and equipment in-service, net	<u><b>\$ 68,448,000</b></u>	<u><b>\$ 82,913,000</b></u>
Work in process ("WIP")	<u><b>\$ 43,059,000</b></u>	<u><b>\$ 26,746,000</b></u>

Costs within WIP primarily include the following projects: Day-ahead Ancillary Services Improvements, nGEM Real-Time Market Clearing Engine Implementation, CIP Electronic Security Perimeter Redesign Phase II, Managing Transmission Line Ratings, Enterprise Resource Planning System Replacement, nGEM Software Development Part III, EMS Short-term Load Forecast Replacement, and Day-ahead Ancillary Services Benchmark Levels which all began in 2022 and 2023, and continued into 2024. Additionally, a number of new projects began in 2024 such as Integrated Market Stimulator nGEM Compatibility Enhancement, Windows Server Replacement Phase II and various other market enhancement projects that have not been placed in service as of December 31, 2024.

Depreciation and amortization expense was \$31,583,000 and \$30,034,000 for the years ended December 31, 2024 and 2023, respectively.

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**4. Credit Facilities**

**Revolving Credit Arrangement**

In March 2024, the Company entered into a \$40,000,000 revolving credit arrangement that expires on March 1, 2028, and any outstanding balance must be paid by this date. In November 2023, the Company filed under Federal Power Act Section 204 with FERC to increase the previously approved \$20,000,000 line of credit to \$40,000,000; the filing was approved in January 2024. Additionally, at the same time the Company entered into a \$4,000,000 revolving credit agreement with the same terms as noted above. For both revolving credit agreements, interest accrues on both revolving credits at either Base Rate, LIBOR or a Benchmark replacement such as SOFR, of which the Company has the option of selecting the Overnight, Weekly, 30, 60, 90, or 180-day rate. Interest is paid at the earlier of the selected term or 30 days.

The \$40,000,000 revolving credit agreement has an outstanding balance for each of the years ended December 31, 2024 and 2023 was \$0 and the weighted average interest for each of the years ended December 31, 2024 and 2023 was \$419,000 and \$0 respectively.

The \$4,000,000 revolving credit agreement has an outstanding balance and weighted average interest for each of the years ended December 31, 2024 and 2023 was \$0 in both fiscal years.

**Long Term Debt**

At December 31, 2024, the following amounts were outstanding on long-term debt:

	Tax-exempt Bonds (iii)	Tax-exempt CT Bonds (iv)	Private Placement (v)	Total
Total outstanding:				
Maturities	\$ 13,195,000	20,370,000	75,000,000	108,565,000
Less unamortized debt issuance costs	(32,000)	(138,000)	(120,000)	(290,000)
Total debt, net	<u>13,163,000</u>	<u>20,232,000</u>	<u>74,880,000</u>	<u>108,275,000</u>
Current portion:				
Maturities	\$ 1,820,000	1,360,000	-	3,180,000
Less unamortized debt issuance costs	-	-	-	-
Total current portion	<u>1,820,000</u>	<u>1,360,000</u>	<u>-</u>	<u>3,180,000</u>
Long term portion:				
Maturities	\$ 11,375,000	19,010,000	75,000,000	105,385,000
Less unamortized debt issuance costs	(32,000)	(138,000)	(120,000)	(290,000)
Total long term portion	<u>11,343,000</u>	<u>18,872,000</u>	<u>74,880,000</u>	<u>105,095,000</u>
Fair market value at year-end			\$ 76,193,000	
Incremental borrowing rate (for FMV)			5.06%	
Weighted average SIFMA interest	3.32%	3.34%		
Weighted average floating interest rate	3.29%	3.30%		

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At December 31, 2023, the following amounts were outstanding on long-term debt:

	Private Placement (i)	Private Placement (ii)	Tax-exempt Bonds (iii)	Tax-exempt CT Bonds (iv)	Total
Total outstanding:					
Maturities	\$ 11,000,000	39,000,000	15,015,000	21,730,000	86,745,000
Less unamortized debt issuance costs	-	(2,000)	(37,000)	(147,000)	(186,000)
Total debt, net	<u>\$ 11,000,000</u>	<u>38,998,000</u>	<u>14,978,000</u>	<u>21,583,000</u>	<u>86,559,000</u>
Current portion:					
Maturities	\$ 11,000,000	39,000,000	1,820,000	1,360,000	53,180,000
Less unamortized debt issuance costs	-	(2,000)	-	-	(2,000)
Total current portion	<u>11,000,000</u>	<u>38,998,000</u>	<u>1,820,000</u>	<u>1,360,000</u>	<u>53,178,000</u>
Long term portion:					
Maturities	\$ -	-	13,195,000	20,370,000	33,565,000
Less unamortized debt issuance costs	-	-	(37,000)	(147,000)	(184,000)
Total long term portion	<u>\$ -</u>	<u>-</u>	<u>13,158,000</u>	<u>20,223,000</u>	<u>33,381,000</u>
Fair market value at year-end	\$ 10,802,000	\$ 38,726,000			
Incremental borrowing rate (for FMV)	5.34%	5.34%			
Weighted average SIFMA interest			3.30%	3.31%	
Weighted average floating interest rate			3.24%	3.25%	

**(i & ii) Private Placement Debt**

Both the \$11,000,000 and \$39,000,000 private placement loans were paid in full on the maturity date of November 8, 2024.

**(iii) Tax-Exempt Bonds**

In February 2005, the Company entered into tax-exempt financing of \$45,500,000 in the form of Multi-Mode Variable Rate Civic Facility Revenue Bonds (“Bonds”), which were issued by the Massachusetts Development Finance Agency. The proceeds of the Bonds were loaned to the Company to assist in financing and refinancing a construction project located at the Main Control Center. Principal payments of \$455,000, paid quarterly, began in May 2007 with the final repayment due on February 1, 2032. The tax-exempt financing is backed by a letter of credit that the Company originally entered into in February 2005. The letter of credit with an original expiration date of August 2024 contains an evergreen clause that will automatically renew annually with the beneficiaries. The par value of the Bonds approximates the fair value and the Bonds are classified as Level 2.

Interest accrues quarterly on the Bonds at a weekly variable rate based upon the Securities Industry and Financial Markets Association “SIFMA” Swap Index. The Company is charged an annual fee of 0.38% paid quarterly based on the maximum amount available to be drawn under the letter of credit including principal and interest commitments.

**(iv) Tax-Exempt CT Bonds**

In December 2012, the Company entered into tax-exempt financing of \$36,000,000 in the form of Multi-Mode Variable Rate Civic Facility Revenue Bonds (“CT Bonds”), which were issued by Connecticut Innovations Incorporated. The proceeds of the CT Bonds were loaned to the Company to assist in financing a project located in Windsor, Connecticut to acquire real property and construct an office building with data center and control center, including miscellaneous property and equipment to serve as a Back-up Control Center. Principal payments of \$340,000 are paid quarterly, with the final repayment due in November 2039. The tax-exempt financing is backed by a letter of credit that the Company originally entered into in December 2012. The letter of credit with an original expiration date of December 2024 and contains an evergreen clause that will automatically

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renew annually with the beneficiaries. The par value of the Bonds approximates the fair value and the Bonds are classified as Level 2.

Interest accrues quarterly on the \$36,000,000 tax-exempt bonds, at a weekly variable rate based upon the SIFMA. The Company is charged an annual fee of 0.38% paid quarterly based on the maximum amount available to be drawn under the letter of credit including principal and interest commitments.

**(v) Private Placement Debt**

In August 2024, the Company entered into an \$75,000,000 private placement loan, which is made up of a ten-year 5.27% senior note. Payment is due in full on August 27, 2034, with mandatory prepayments upon certain contingent events occurring and interest is accrued and paid semi-annually. Funding of \$25,000,000 for this loan was received in August 2024 and the remaining balance of \$50,000,000 in November 2024. This loan is included in long-term debt on the accompanying Statements of Financial Position.

Principal payments on the private placement debt and tax-exempt bonds, excluding debt issuance costs, are due annually as follows:

2025	\$	3,180,000
2026		3,180,000
2027		3,180,000
2028		3,180,000
2029		3,180,000
Thereafter		92,665,000
	\$	<u>108,565,000</u>

Interest incurred on the revolving credit arrangement, private placement debt, and tax-exempt bonds for the years ended December 31, 2024 and 2023 was approximately \$4,263,000 and \$3,357,000, respectively.

**Interest Rate Cap**

The Company purchased an interest rate cap on October 31, 2013 for \$706,000 for a predetermined notional amount to lock into a derivative arrangement whereby the Company will receive a payment whenever 74% of the one-month SOFR exceeds 2.48%. The purchase of the interest rate cap was to mitigate the interest rate risks associated with the tax-exempt debt. The derivative arrangement was amended and restated effective May 1, 2022 to February 1, 2024 with the notional amount of \$5,225,000, which was amortized to zero as the floating rate debt is repaid. The interest rate cap expired in February of 2024 and not renewed. The fair market value of the interest rate cap as of December 31, 2024 and 2023 was \$0 and \$1,000, respectively. The fair market values were recorded as an other asset and regulatory liability in 2024 and 2023 on the accompanying Statements of Financial Position. The fair market values are derived from third-party financial institutions and the interest rate cap is classified as Level 2.

**5. Pension and Other Postretirement Benefits**

The Company sponsors two defined benefit pension plans (one for union and the other for non-union employees), also referred to herein as the non-contract and contract plans, each of which is funded solely by Company contributions. Benefits are determined based on years of service and average compensation. Effective January 1, 2014, the defined benefit pension plans were closed to all employees hired or rehired on or after January 1, 2014.

**ISO New England Inc.**  
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The Company sponsors a postretirement benefit plan that provides medical, dental, and life insurance benefits for eligible employees and their beneficiaries. The medical benefits are contributory with participants' contributions adjusted annually, and participants are responsible for deductible and coinsurance amounts. Dental benefits are non-contributory but participants are responsible for deductible and coinsurance amounts. The life insurance benefits are non-contributory. Effective January 1, 2016, the postretirement benefit plan was closed to employees hired or rehired on or after January 1, 2016.

The Company accounts for the plans as required in FASB ASC Topic 715, *Compensation – Retirement Benefits*. The measurement date used to determine pension and other postretirement benefit obligations is December 31. Additionally, the Company discloses net periodic benefit cost for the defined benefit pension and other postretirement benefit plan for each annual period for which a Statements of Activities is presented as required by the employers' disclosures. As required in Topic 980, *Regulated Operations*, the Company has disclosed the difference in the timing of recognition of net periodic benefit cost as an expense and as such records the difference as an asset or a liability created by the actions of the regulator under rate making regulations and rules.

Under the Patient Protection and Affordable Care Act and the Health Care and Education Reconciliation Act (collectively, the "Health Care Acts") there are several provisions that may affect a company's postretirement benefit plans, including eliminating lifetime and annual coverage limits, reducing subsidies to Medicare Advantage plans, extending coverage for adult children until age 26, and material benefit cost sharing changes in 2025, including the implementation of a \$2,000 member out-of-pocket maximum on Medicare prescription drug plans. For the provisions that are not already reflected in the determination of the underlying health costs, the Company has evaluated the effects of the provisions of the Health Care Acts and concluded that as of December 31, 2024, none of the provisions have a material impact on its postretirement benefit plan. The Company does not provide benefits that are actuarially equivalent to the Medicare prescription drug benefit in its postretirement benefit plan.

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The following table sets forth the plans' benefit obligations, fair value of the plans' assets, and the plans' funded status:

	Pension Benefits		Other Postretirement Benefits	
	Years Ended December 31,		Years Ended December 31,	
	2024	2023	2024	2023
Change in benefit obligation:				
Benefit obligation at beginning of year	\$ 178,789,000	\$ 219,161,000	\$ 27,545,000	\$ 26,940,000
Service cost	7,258,000	6,757,000	1,099,000	1,159,000
Interest cost	8,574,000	10,466,000	1,287,000	1,296,000
Benefits paid	(3,012,000)	(5,741,000)	(1,635,000)	(1,655,000)
Curtailments, settlements and/or special/contractual termination	-	(56,574,000)	-	-
Plan participants' contributions	-	-	516,000	531,000
Actuarial (gain)/loss	(16,697,000)	4,720,000	(1,829,000)	(726,000)
Benefit obligation at end of year	174,912,000	178,789,000	26,983,000	27,545,000
Change in plan assets:				
Fair value of plan assets at beginning of year	163,484,000	197,748,000	26,309,000	23,686,000
Actual return on plan assets	8,617,000	17,847,000	2,565,000	2,922,000
Employer contributions	10,126,000	10,203,000	674,000	825,000
Plan participants' contributions	-	-	516,000	531,000
Benefits paid	(3,012,000)	(5,741,000)	(1,635,000)	(1,655,000)
Curtailments, settlements and/or special/contractual termination	-	(56,574,000)	-	-
Fair value of plan assets at end of year	179,215,000	163,483,000	28,429,000	26,309,000
Funded status at end of the year	4,303,000	(15,306,000)	1,446,000	(1,236,000)
Net amount recognized as non-current assets (liabilities)	\$ 4,303,000	\$ (15,306,000)	\$ 1,446,000	\$ (1,236,000)

The following table presents the amounts in Accumulated Other Comprehensive Income (AOCI) that have not yet been recognized in net periodic benefit costs in fiscal year ending December 31, 2024:

	Pension Benefits		Other Postretirement Benefits	
	Years ended December 31,		Years ended December 31,	
	2024	2023	2024	2023
Transition obligation/(asset)	\$ -	\$ -	\$ -	\$ -
Net actuarial loss/(gain)	360,000	20,928,000	(3,276,000)	(485,000)
Prior service cost/(credit)	-	-	-	(40,000)

The Company has determined that the pension liability is probable of recovery through Section IV.A. of the Tariff and has recorded a regulatory asset as of December 31, 2024 and 2023 in the accompanying Statements of Financial Position.

	Pension Benefits		Other Postretirement Benefits	
	Years ended December 31,		Years ended December 31,	
	2024	2023	2024	2023
Components of net periodic benefit cost:				
Service cost	\$ 7,258,000	\$ 6,757,000	\$ 1,099,000	\$ 1,159,000
Interest cost (1)	8,574,000	10,466,000	1,287,000	1,296,000
Expected return on plan assets (1)	(10,134,000)	(11,604,000)	(1,604,000)	(1,445,000)
Recognition due to settlement, curtailment, and/or special/contractual termination benefits(1)	-	1,659,000	-	-
Amortization of net actuarial loss (1)	317,000	240,000	-	-
Amortization of unrecognized prior service credit (1)	-	-	(40,000)	(41,000)
Net periodic benefit cost	6,015,000	7,518,000	742,000	969,000
Amount deferred due to actions of the regulator	3,618,000	2,043,000	(164,000)	(255,000)
Net periodic benefit cost recognized	\$ 9,633,000	\$ 9,561,000	\$ 578,000	\$ 714,000

(1) The components of net periodic pension cost other than service cost component are included in the line item "Other expense (income)" in the Statement of Activities.

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The Company's accumulated benefit obligation for the pension benefit plans (non-contract and contract) was \$136,431,000 and \$130,934,000 at December 31, 2024 and 2023, respectively.

The following are gains/loss transactions reflected in the measurement of the benefit obligation for the pension benefit plans (non-contracts and contract) as of December 31, 2024:

For the non-contract pension plan, the total actuarial gain during 2024 was \$20,816,000. The main source of this gain was due to the discount rate increasing from 4.84% to 5.55%, which caused a gain of approximately \$20,997,000. For the contract plan, the total actuarial gain during 2024 was \$952,000. The discount rate for the contract plan changed from 4.83% to 5.55%, which caused a gain of approximately \$459,000. The other main source of actuarial gain for the contract plan was the annual data update, which caused a gain of \$474,000.

The following are gains/loss transactions reflected in the measurement of the benefit obligation for the other postretirement plan, as of December 31, 2024:

For the other postretirement plan, the total actuarial gain during 2024 was \$1,829,000. The main source of this gain was due to the discount rate increasing from 4.73% to 5.39%, which caused a gain approximately \$1,843,000.

The primary economic assumptions, based on prevailing economic conditions, used to value these liabilities are summarized in the following table.

Weighted-average assumptions used to determine net periodic benefit cost for the following years ended:

	<b>Pension Benefits</b>		<b>Other Postretirement Benefits</b>	
	<b>December 31,</b>		<b>December 31,</b>	
	<b>2024</b>	<b>2023</b>	<b>2024</b>	<b>2023</b>
Discount rate	See Below	See Below	4.73%	4.92%
Expected long-term rate of return on plan assets	6.25%	6.25%	6.25%	6.25%
Rate of compensation increase prior to age 40	6.25%	6.25%	6.25%	6.25%
Rate of compensation increase for ages 40-59	4.25%	4.25%	4.25%	4.25%
Rate of compensation increase for ages 60 and after	3.25%	3.25%	3.25%	3.25%

Separate discount rates are used in the pension expense calculations for the non-contract and the contract plans. The discount rates for the non-contract plan of 5.01% as of January 1, 2023 and 6.01% as of November 1, 2023 were used to calculate the pension expense for the 2023 fiscal year, reflecting the October 31, 2023 settlement remeasurement. The discount rates of 4.84% as of January 1, 2024 was used to calculate the non-contract pension expense for the 2024 fiscal year expense calculation. The discount rates for the contract plan of 5.03% as of January 1, 2023 and 4.83% as of January 1, 2024 are used to calculate pension expense for the 2023 and 2024 fiscal years, respectively.

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Weighted-average assumptions used to determine benefit obligation for the following years ended:

	<b>Pension Benefits</b>		<b>Other Postretirement Benefits</b>	
	<b>December 31,</b>		<b>December 31,</b>	
	<b>2024</b>	<b>2023</b>	<b>2024</b>	<b>2023</b>
Discount rate	See Below	See Below	5.39%	4.73%
Rate of compensation increase prior to age 40	6.25%	6.25%	6.25%	6.25%
Rate of compensation increase for ages 40-59	4.25%	4.25%	4.25%	4.25%
Rate of compensation increase for ages 60 and after	3.25%	3.25%	3.25%	3.25%
Health Care cost trend rates - initial	-	-	6.75%	6.75%
Dental Care cost trend rates - initial	-	-	4.00%	4.00%
Health Care cost trend rates - ultimate	-	-	4.50%	4.50%
Ultimate year	-	-	2034	2033

Separate discount rates are used in the pension calculations for the non-contract and the contract plans. The discount rate for the non-contract plan of 4.84% as of December 31, 2023 was used for the 2023 fiscal year-end benefit obligation calculation. The discount rate for the non-contract plan of 5.55% as of December 31, 2024 was used for the 2024 fiscal year-end benefit obligation calculation. The discount rate for the contract plan of 4.83% as of December 31, 2023 was used for the 2023 fiscal year-end benefit obligation calculation. The discount rate for the contract plan of 5.55% as of December 31, 2024 was used for the 2024 fiscal year-end benefit obligation calculation.

The ISO's pension plan and postretirement benefit plan weighted-average asset allocations and expected returns by asset category are as follows:

**Pension and Postretirement Plan Assets**

	<b>Target Allocation 2025</b>	<b>Percentage of Plan Assets at December 31</b>		<b>Weighted Average Expected Long-Term Rate of Return - 2025</b>
		<b>2024</b>	<b>2023</b>	
Equity Securities	19%	45%	46%	1.53%
Debt Securities	75%	44%	42%	4.14%
Other	6%	11%	12%	0.32%
Total	100%	100%	100%	6.00%

The forward-looking estimates of total return were developed based on assumptions for each underlying component, reflecting observable inflation and interest rate information available in the fixed income markets as well as consensus economics forecasts. Long-term assumptions for other asset classes (i.e., equities) are based on historical results, current market characteristics, and professional judgment. In setting this assumption, the ISO relied upon capital market assumptions developed by a market-leading provider of investment services to corporate pension plans.

The respective plan's investment portfolio is to be invested to provide benefits for qualified employees of the ISO. Investments are to be compatible with the liquidity requirements determined by the plan's actuary. An optimal target allocation of 60/40 between equities and fixed income investments is to be kept with an allowance of fifteen percent (15%) over/under deviation from the optimal allocation target. The plan's investment policy provides for gradually reducing the amount of risk, relative to liability measurement, being taken in the portfolio as funding improves. After a funding threshold is achieved, the portfolio targets will remain at that allocation to liability hedging assets even if funding deteriorates due to unfavorable market conditions unless the ISO elects to re-risk the portfolio.

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The fair values of the pension plan assets at December 31, 2024 and 2023 by asset category are as follows:

	<b>Market Value at 12/31/24</b>	<b>Quoted Prices in Active Markets for Identical Assets (Level 1)</b>	<b>Significant Observable Inputs (Level 2)</b>	<b>Significant Unobservable Inputs (Level 3)</b>
Long-term investment strategies:				
Fixed income:				
Long Duration Corporate Bonds	\$ 94,610,000	\$ -	\$ 94,610,000	\$ -
Long Duration Government Bonds	\$ 36,417,000	-	36,417,000	-
Total	<u>131,027,000</u>	<u>-</u>	<u>131,027,000</u>	<u>-</u>
Collective Investment Trust:				
DB Growth Portfolio	43,872,000	-	43,872,000	-
Total	<u>43,872,000</u>	<u>-</u>	<u>43,872,000</u>	<u>-</u>
Cash and cash equivalents	4,316,000	4,316,000	-	-
Total long-term investments	<u>\$ 179,215,000</u>	<u>\$ 4,316,000</u>	<u>\$ 174,899,000</u>	<u>\$ -</u>
	<b>Market Value at 12/31/23</b>	<b>Quoted Prices in Active Markets for Identical Assets (Level 1)</b>	<b>Significant Observable Inputs (Level 2)</b>	<b>Significant Unobservable Inputs (Level 3)</b>
Long-term investment strategies:				
Fixed income:				
Long Duration Corporate Bonds	\$ 39,205,000	\$ -	\$ 39,205,000	\$ -
Long Duration Government Bonds	20,813,000	-	20,813,000	-
Total	<u>60,018,000</u>	<u>-</u>	<u>60,018,000</u>	<u>-</u>
Collective Investment Trust:				
DB Growth Portfolio	100,342,000	-	100,342,000	-
Total	<u>100,342,000</u>	<u>-</u>	<u>100,342,000</u>	<u>-</u>
Cash and cash equivalents	3,123,000	3,123,000	-	-
Total long-term investments	<u>\$ 163,483,000</u>	<u>\$ 3,123,000</u>	<u>\$ 160,360,000</u>	<u>\$ -</u>

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The fair values of the other postretirement benefit plan assets at December are as follows:

	<b>Market Value at 12/31/24</b>	<b>Quoted Prices in Active Markets for Identical Assets (Level 1)</b>	<b>Significant Observable Inputs (Level 2)</b>	<b>Significant Unobservable Inputs (Level 3)</b>
Long-term investment strategies:				
Fixed income:				
U.S. and global core fixed income funds	\$ 10,789,000	\$ 10,789,000	\$ -	\$ -
U.S. real estate investment trust funds	324,000	324,000	-	-
Total	<u>11,113,000</u>	<u>11,113,000</u>	<u>-</u>	<u>-</u>
US Large Cap	9,699,000	9,699,000	-	-
US Small Cap	1,341,000	1,341,000	-	-
Total	<u>11,040,000</u>	<u>11,040,000</u>	<u>-</u>	<u>-</u>
Global (ex-U.S.) equities:				
Developed markets	5,062,000	5,062,000	-	-
Total	<u>5,062,000</u>	<u>5,062,000</u>	<u>-</u>	<u>-</u>
Hedged equity funds of funds:				
Multiple strategies	901,000	901,000	-	-
Total	<u>901,000</u>	<u>901,000</u>	<u>-</u>	<u>-</u>
Cash and cash equivalents	313,000	313,000	-	-
Total long-term investments	<u>\$ 28,429,000</u>	<u>\$ 28,429,000</u>	<u>\$ -</u>	<u>\$ -</u>
	<b>Market Value at 12/31/23</b>	<b>Quoted Prices in Active Markets for Identical Assets (Level 1)</b>	<b>Significant Observable Inputs (Level 2)</b>	<b>Significant Unobservable Inputs (Level 3)</b>
Long-term investment strategies:				
Fixed income:				
U.S. and global core fixed income funds	\$ 11,371,000	\$ 11,371,000	\$ -	\$ -
U.S. real estate investment trust funds	347,000	347,000	-	-
U.S. High Yield Bond Funds	341,000	341,000	-	-
Total	<u>12,059,000</u>	<u>12,059,000</u>	<u>-</u>	<u>-</u>
US Large Cap	8,297,000	8,297,000	-	-
US Small Cap	769,000	769,000	-	-
Total	<u>9,066,000</u>	<u>9,066,000</u>	<u>-</u>	<u>-</u>
Global (ex-U.S.) equities:				
Developed markets	3,884,000	3,884,000	-	-
Total	<u>3,884,000</u>	<u>3,884,000</u>	<u>-</u>	<u>-</u>
Hedged equity funds of funds:				
Multiple strategies	906,000	906,000	-	-
Total	<u>906,000</u>	<u>906,000</u>	<u>-</u>	<u>-</u>
Cash and cash equivalents	394,000	394,000	-	-
Total long-term investments	<u>\$ 26,309,000</u>	<u>\$ 26,309,000</u>	<u>\$ -</u>	<u>\$ -</u>

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The Company expects to contribute approximately \$10,000,000 to its pension plans and \$743,000 to its postretirement benefit plan in 2025.

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid:

	<b>Pension Benefits</b>	<b>Other Postretirement Benefits</b>
2025	\$ 7,164,000	\$ 1,916,000
2026	8,088,000	1,918,000
2027	8,320,000	1,925,000
2028	9,659,000	1,986,000
2029	11,147,000	2,108,000
Years 2030-2034	<u>68,550,000</u>	<u>11,476,000</u>
Total	<u>\$ 112,928,000</u>	<u>\$ 21,329,000</u>

**6. Other Benefit Plans**

The Company has a 401(k) Retirement and Savings Plan (the “401(k) Plan”) open to substantially all employees. This savings plan provides for employee contributions up to specified limits. The Company matches employee contributions up to 3% of eligible compensation and provides a 50% match on the next 2% of eligible compensation. The matching contributions for the Company were \$3,937,000 and \$3,798,000, for the years ended December 31, 2024 and 2023, respectively.

In 2014, the Company amended the 401(k) Plan to provide for a special contribution for new employees hired after January 1, 2014. The Company funds the contribution into the 401(k) Plan based on a formula of employee’s age, service, and compensation. The contributions paid by the Company were \$2,793,000 and \$2,188,000 for the years ended December 31, 2024 and 2023, respectively.

The Company maintains a 457(b) Plan that provides for certain members of senior management to defer a portion of their current compensation and have it credited under a supplemental unfunded savings program. The 457(b) Plan is intended to satisfy the requirements of an eligible deferred compensation plan maintained by the ISO as a nongovernment tax-exempt entity under Code section 457(e)(1)(B). The plan participants may direct that these funds be invested in the same investments offered by the ISO 401(k) plan at their discretion. The investment balance was \$4,266,000 and \$3,267,000 as of December 31, 2024 and 2023, respectively and recorded within other assets and the corresponding deferred compensation liability is recorded in long-term portion of Accrued compensation in the accompanying Statements of Financial Position. The investments are recorded at fair value and are classified as Level 1.

**7. Leases**

The Company has operating leases for property, office equipment, computer hardware, and motor vehicles. The Company’s leases have remaining lease terms of 1 year to 5 years. For purposes of calculating operating lease liabilities, lease terms may be deemed to include options to extend the lease when it is reasonably certain that the Company will exercise those options. The Company’s lease arrangements do not contain any material restrictive covenants. The Company’s incremental borrowing rate is 2.20%, which is reviewed each time the Company enters into a new lease.

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The components of lease cost for operating leases for the years ended December 31, 2024 and 2023 were as follows:

	Years ended December 31,	
	<u>2024</u>	<u>2023</u>
Operating lease cost	\$ 992,000	\$ 694,000
Short-term lease cost	-	-
Total Lease Cost	<u>\$ 992,000</u>	<u>\$ 694,000</u>

The operating lease cost is equal to the cash paid from operating cash flows.

**Maturity of Lease Liabilities at December 31, 2024**

	Operating Leases
2025	\$ 1,384,000
2026	1,272,000
2027	1,006,000
2028	460,000
2029	-
Total future undiscounted lease payments	<u>4,122,000</u>
Less: Interest	<u>(150,000)</u>
Present value of lease liabilities	<u>\$ 3,972,000</u>

The Company calculates the weighted-average remaining lease term based on the remaining lease term and the lease liability balance for each lease at the reporting date. For the years ended December 31, 2024 and 2023, the Company discloses a weighted-average remaining lease term of 3.18 and 2.71 years respectively, for its operating leases.

The Company calculates the weighted-average discount rate based on the remaining lease payments and discount rate for each lease at the reporting date. For the years ended December 31, 2024 and 2023, the Company discloses a weighted-average discount rate 2.40% and 2.33%, respectively for its operating leases.

**8. Functional Classification of Expenses**

Operating expenses presented by natural and function classification are as follows:

	December 31, 2024		
	Program Service	Management & General	Total
	Expenses	Expenses	
Salaries and benefits	\$ 133,453,000	\$ 18,811,000	\$ 152,264,000
Depreciation and amortization expense	31,428,000	155,000	31,583,000
Professional fees and consultants	21,774,000	3,099,000	24,873,000
Computer Services	22,517,000	1,598,000	24,115,000
All other expenses	28,867,000	2,889,000	31,756,000
Total expenses	<u>\$ 238,039,000</u>	<u>\$ 26,552,000</u>	<u>\$ 264,591,000</u>

	December 31, 2023		
	Program Service	Management & General	Total
	Expenses	Expenses	
Salaries and benefits	\$ 117,940,000	\$ 17,019,000	\$ 134,959,000
Depreciation and amortization expense	29,852,000	182,000	30,034,000
Professional fees and consultants	19,365,000	2,835,000	22,200,000
Computer Services	19,322,000	1,147,000	20,469,000
All other expenses	25,311,000	2,628,000	27,939,000
Total expenses	<u>\$ 211,790,000</u>	<u>\$ 23,811,000</u>	<u>\$ 235,601,000</u>

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One of the Company's primary responsibilities is to ensure the reliability of the power system for the New England area and as such, our departments are specifically designed to support that function. Those departmental costs are deemed directly identifiable to program services as summarized in the above tables. Other departments that are solely for supporting the Company, such as human resources, are categorized as management and general expenses as summarized in the above tables. For any department that is providing both program and management and general services, an analysis was performed to allocate the costs based on the time spent supporting program services or management and general, and categorized accordingly.

All expenses summarized above, except for depreciation and amortization expense are allocated in the method described above. Depreciation is allocated based on estimated useful life of an asset. Assets with 3-5 year life are primarily computer hardware and software designed for power system and are classified as program service expenses. Any asset with a life of 7 years or greater is related to equipment and building and therefore is allocated under the method described above.

**9. Subsequent Events**

The Company has evaluated subsequent events from the Statements of Financial Position date through March 19, 2025, the date at which the financial statements were available to be issued, and determined that there are no items to disclose that occurred in the subsequent period.