



ISO New England Inc.

Financial Results January 2025

ISO New England Inc.

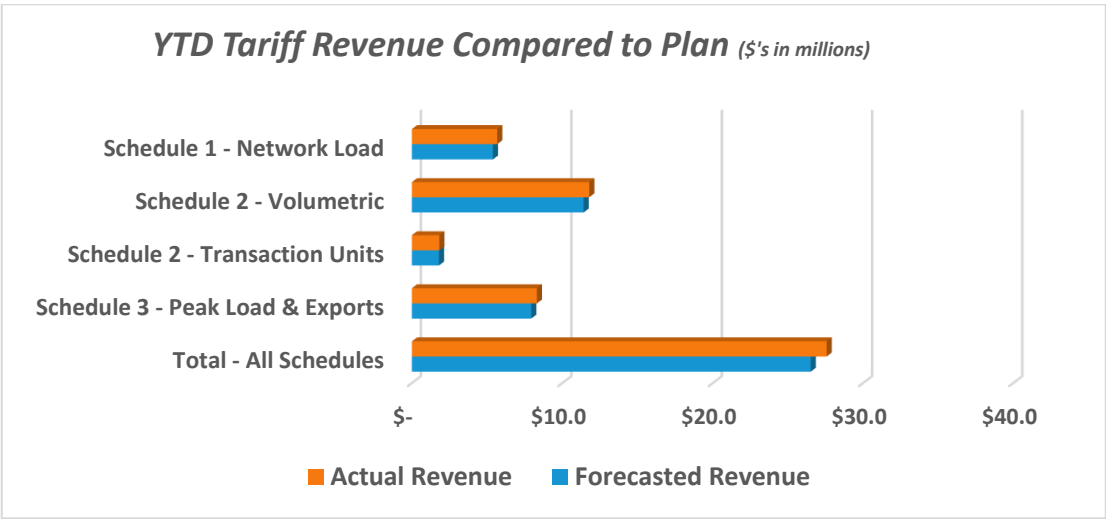
January Financial Results for Year End 2025

Table of Contents

Executive Summary – January 2025	1
Operating Expense Forecast	7
Capital Forecast 2025 – All Capital Spending	8
Capital Forecast – Capital Project Spending through January 2025	9

Executive Summary – January 2025

ISO Tariff Revenue amounts through January 2025 are \$1,061,800, or 4.1% higher than amounts filed in the 2025 tariff. This variance was driven by higher than forecasted load volumes for all three tariff schedules.



The current CEO Emerging Work Allowance is \$4,092,700, an increase of \$1,092,700 from the original approved budget of \$3,000,000. The CEO Emerging Work Allowance is used to fund activities that require additional funding from what was initially planned during the budgeting cycle. Additional funding needs can arise as a result of refined estimates for work, new activities, or changes in accounting estimates. Conversely, to the extent that changes result in an “under” expenditure, the CEO Emerging Work Allowance is increased. Increases and decreases to the Emerging Work Allowance are summarized on page 2 with detailed explanations following the summary. Requests for funds from the CEO Emerging Work Allowance are reviewed by senior management, and require CFO and CEO approval prior to the spending authorization.

The \$1.1M spending reduction that has been returned to contingency funding is largely driven by a decrease in Salaries and Overheads (\$1,831.5K or 1.1%) offset by an increase in Professional Fees & Consulting (\$1,021.8K or 4.2%). Salaries and Overheads has had several changes from the original budget with the largest impacts being a reduction of costs from lower employee pay rates than previous incumbents and lower merit and promotional increases due the deferral of a portion of budgeted costs until later in 2025 and less than forecasted eligible employees. Professional Fees & Consulting increase is largely a result of funding for IT support and training of staff to modify and upgrade software used for resource adequacy and capacity market modeling, which is essential to the redesign of the capacity market under the Capacity Auction Reforms project and consultants augmenting Information Technology staff. While these noted items are the largest ones impacting current budget adjustments, other material changes are explained in more detail starting on page 2.

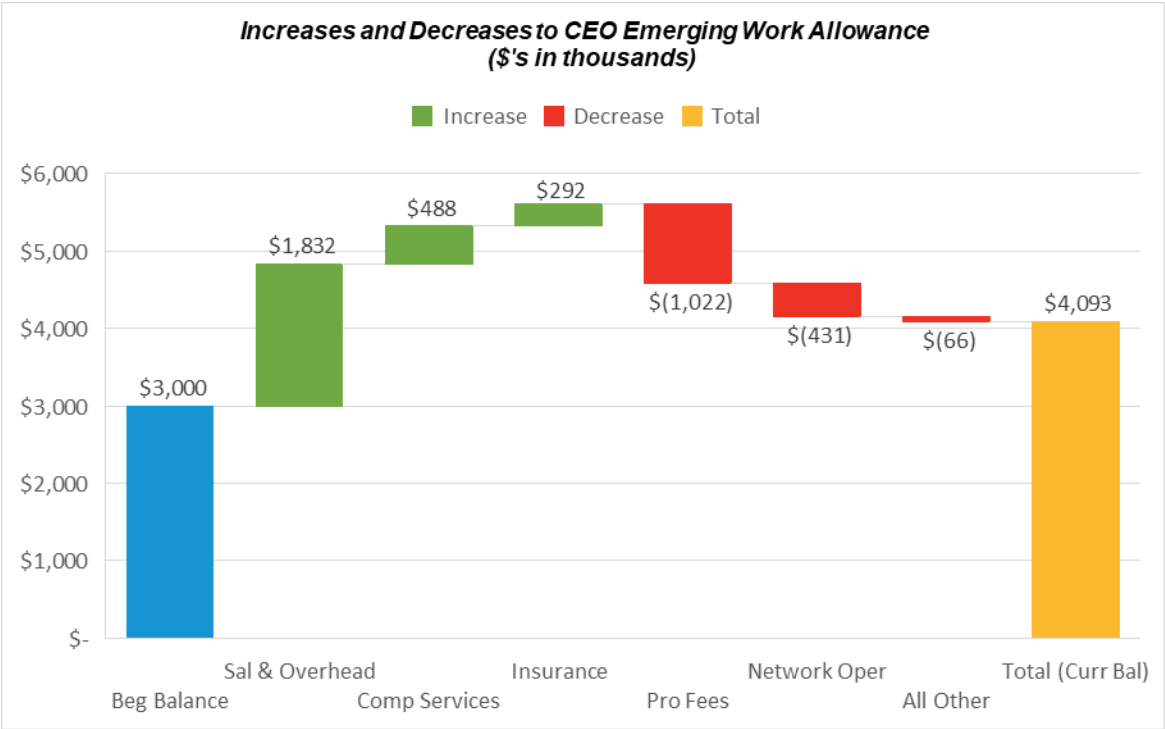
Management’s Discussion

Revenue Adequacy

The year-to-date 2025 budget to actual results reflects sufficient funding available for unplanned items, including the balance in the CEO Emerging Work Allowance and the Board Contingency for the remainder of the year. The combination of these is \$4,792,700. Additional opportunities are projected in certain areas that would increase these contingency balances, above the current amount, by year's end. Annual Tariff Revenues through January 2025 are \$1,061,800 or 4.1% above the filed amounts. Also included in the Revenue Adequacy determination, is the available balance of the Company's working capital line, which through January 31, 2025, was sufficient to meet any borrowing needs.

Forecast vs. Budgeted Expense

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



Significant operating budget changes, including items in the above chart, include the following and are shown in order based on the operating expense schedule on page 7.

Salaries and Overheads

Salaries and Overheads are currently forecasted \$1,831,500 below the original budget of \$173,960,600. Decreases include \$842,900 resulting from lower employee pay rates than previous incumbents, \$557,500 for lower merit and promo amounts due to a combination of 0.5% of budgeted increase being deferred until later in the year for any needed adjustments and less than forecasted eligible employees, \$272,000 for reduction in Retiree Medical Plan contributions based on recent actuarial update, \$202,900 due to higher than forecasted to-date vacancy, \$190,700 for medical renewal costs due to lower than budgeted annual increase, \$150,000 for incentive compensation largely due to staffing changes, and \$130,800 for

reduction of intern funding. Partially offsetting the decreases are increases of \$266,400 due to a one-time annual mileage stipend and tax gross up for System Planning staff relocated to the Windsor campus, and \$222,200 for lower internal capital development due to timing and mix of capital projects.

The below table reflects 2025 authorized positions (FTEs) by ISO-NE business area in addition to those positions filled as of, and currently hired with starting dates subsequent to 1/31/2025.

Area	2025 Authorized FTEs	Positions Filled 1/31/2025	Positions Hired Not Started (*)	Net Open Positions
System Operations & Market Administration	147.0	133.0	7.0	7.0
System Planning	94.0	81.0	4.0	9.0
Market Development	35.0	24.0	6.0	5.0
Settlements	35.0	35.0	-	-
Information Services	217.0	199.0	1.0	17.0
Prog Mgt, Adv Tech Solutions, & NEPOOL Relations	70.5	61.5	3.0	6.0
Market Monitoring & Mitigation	21.0	21.0	-	-
Legal Services	19.0	17.0	1.0	1.0
Ext Affairs and Corp Comm	25.0	23.0	-	2.0
Compliance, Risk Mgt, Finance & Internal Audit	50.0	49.0	1.0	
Human Resources	23.0	20.0	-	3.0
CEO and COO Support Staff	5.0	5.0	-	
Building Services	5.0	5.0	-	
Total	746.5	673.5	23.0	50.0

(*) Represents externally sourced positions for which a hire has been made with a start date subsequent to 1/31/2025.

Professional Fees & Consulting

Professional Fees & Consulting increased \$1,021,800 from the original budget of \$24,539,900. Increases include IT support and training of staff to modify and upgrade software used for resource adequacy and capacity market modeling, which is essential to the redesign of the capacity market under the Capacity Auction Reforms project; and consultants augmenting Information Technology staff. Other increases were due to 2024 Market & Credit Risk work carrying over to 2025, and short-term consultants to assist with the Finance workload including procedure writing for the ongoing ERP Upgrade project. Partially offsetting the increases were decreases in System Planning, including the review control methodology for loss of source solution project with work on the development of the proposal being suspended due to higher priority work, and funding for benchmarking and validation of generator outage being returned as it is now a capital project; and GE-MARS Simulation Support that was reduced because it will now be covered by an internal employee. Relocation funding was reduced due to less than forecasted employees needing services in 2025.

Network Operations

Network Operations increased \$430,700 from the original budget due to many older circuits currently being replaced. These older circuits are being replaced with new circuits, which are running concurrently until such time as it is certain the older circuits can be discontinued.

Computer Services

Computer Services costs decreased \$488,400 from the original budget. Decreased expenses include the removal of 2025 costs for a firewall maintenance contract which was renewed near year end 2024, with coverage extending through January 2026; savings due to multiple products being absorbed into a new development agreement with a major systems vendor; contingency for a cyber product cloud upgrade that was ultimately not needed; reduction of as-needed licensing; non-renewal for end-of-life products no longer being utilized and/or being replaced including various infrastructure items; and savings based on actual quotes on renewals across several products. The reduced costs were partially offset by increased technical support service costs for licensed operating system software; new storage infrastructure that will enable ISO-NE to consolidate multiple legacy platforms into one that will increase performance; post-go live Day-Ahead Ancillary Services Energy Management/Market System support, set to launch in March 2025; and increased software license migration and environment growth costs.

Insurance Expense

Insurance Expense decreased \$291,800 from the original budget due to several policy binding renewals that were lower than originally anticipated.

Capital Expenditures

Capital expenditures through January totaled \$2,432,200. The \$42,500,000 capital expenditure forecast for 2025 includes \$21,309,800 for chartered projects; \$13,790,2000 for projects in planning/conceptual design, including \$6,059,700 for emerging work; \$6,300,000 for non-project capital; and \$1,100,000 for interest and loan fees allocated to in-progress projects.

Changes in capital budget allocations are often influenced by organizational priorities, regulatory requirements, and resourcing constraints. Projects in the planning and conceptual design phases often have high-level estimates with significant variability, as funding is allocated for long-term objectives. These preliminary estimates are based on available information at the time of budgeting but remain subject to refinement as scope and timing become clearer. Once a project enters the charter phase, with scope and objectives well-defined, budget amounts are adjusted accordingly. Shifts between fiscal years are also common as certain projects evolve, and reallocation becomes necessary to address organizational priorities.

Several projects in the original 2025 budget were still in the planning phase when the original budget was developed. These projects are more fluid, as their scope, resource requirements, and timelines evolve. Unlike fully chartered initiatives with well-defined deliverables, these projects require ongoing assessment and are subject to budgetary adjustments, timeline refinements, and scope modifications as priorities shift and additional details emerge. As a result, variances within these projects are expected as part of the natural progression of planning and development. As details are finalized, funding allocations are adjusted to ensure alignment with strategic objectives, resource availability, and operational needs. This process allows for greater flexibility in capital allocation while ensuring that financial resources are directed toward the most effective long-term priorities.

Changes from the original 2025 budget reflect both increases and reallocations to address shifting organizational priorities, as well as decreases in certain projects. The nGEM Software Development Part III project has been reduced by \$2,940,800, resulting from shifts in development priorities and the deferral of certain components, planned in Part III development, to future years and efforts. GE has reallocated its development resources toward the Managing Transmission Line Ratings project scope in 2024 and early 2025 and further development of the GridOS product suite. While these adjustments impact the timing of certain deliverables, the Phase III segment of the project remains on track for completion in March 2025.

There are no additional co-funded development efforts planned, though potential future collaboration may be evaluated as system needs evolve.

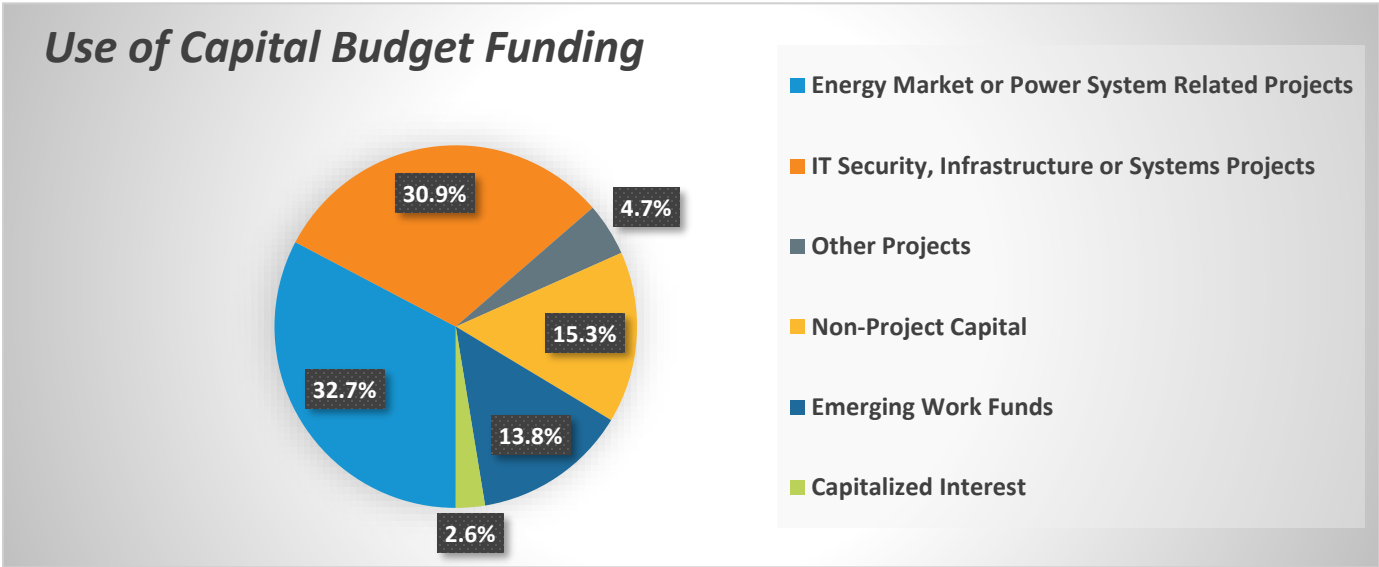
The Enterprise Core Network Refresh, initially allocated \$2,000,000 in the original budget, is currently in planning and under review to determine whether the full budgeted amount will be required in 2025. Funding will be utilized for necessary hardware upgrades, and additional details will be presented to senior management in upcoming monthly review meetings.

The CIP Electronic Security Perimeter Redesign Phase II project has increased by \$1,026,000 reflecting deferred work from 2024, and additional security measures required to meet evolving compliance standards.

The Managing Transmission Line Ratings and nGEM Real-Time Market Clearing Engine Implementation projects reflect shifts in funding between years with no change in overall project costs from the original overall budget for these projects. The \$990,900 increase in the Managing Transmission Line Ratings project is due to delays in software development and resource reallocation, moving work originally planned for 2024 to 2025. Similarly, the \$826,400 increase in the nGEM Real-Time Market Clearing Engine Implementation project accounts for development efforts planned for 2025.

Non-project capital expenditures support essential infrastructure improvements and system enhancements that are not directly tied to specific projects but are critical to maintaining operational efficiency and security. These expenditures primarily cover capitalized internal labor for System Improvement Requests (SIRs), which address functionality enhancements requested by Market Participants and operational groups. For 2025, non-project capital spending has increased by \$1,500,000 from the original \$5,000,000 budget, to \$6,500,000. The increase accounts for critical updates in hardware, software, and security measures that strengthen network security, enhance system reliability, and support broader IT modernization efforts.

The current full portfolio of 2025 capital projects can be found on pages 8 and 9. Project descriptions, for chartered projects, can be found in the ISO-NE quarterly Capital Funding Tariff (CFT) filing that corresponds to the quarter in which a project charter was approved. The most recent quarterly CFT filing can be viewed at [Q4 2024 Capital Budget Filing](#).



Cash Flow / Capital Adequacy

The ISO has a \$40 million working capital line to fund temporary operating cash flow needs, which went into effect on March 1, 2024 and expires in March 2028. The working capital line is available to fund temporary operating cash flow needs such as when operating budget revenues are collected approximately a month and a half in arrears from the month in which the expenditures occur as well as certain times during the year when an annual payment must be made for an item that is expensed evenly throughout the year, creating a need to increase the level of borrowing on the line (e.g., insurance payments). In addition to the temporary operating cash flow needs, the working capital line also covers cash flow risks, including lower than projected load driving decreased Tariff collections, capital budget spending variations based on project go-live dates, and more recently the issuance of FERC Order 2023 which may increase withdrawals of system impact studies (i.e., reducing cash available to the ISO). The five-year cash flow projections indicate that the \$40 million line will be sufficient in the short-term to fund the ISO's ongoing operating needs. Private placement notes, which went into effect in August and November of 2024, in the amount of \$75 million to cover the capital program requires interest only payments until full payment of principal in August 2034.

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

Operating Expense Forecast

2025 Operating Budget and Debt Service for Tariff Recovery Consolidated

(Dollars in Thousands)

Description	Annual		
	Current Year End Forecast	Board Approved Budget	Incr/(Decr)
Operating Expense			
Salaries and Overheads	\$ 172,129.1	\$ 173,960.6	\$ (1,831.5)
Professional Fees & Consulting	25,561.6	24,539.9	1,021.8
Pro Fees & Consulting (Legal)	3,237.0	3,237.0	(0.0)
Building Services	3,591.7	3,492.5	99.2
Rents & Leases	2,122.7	2,123.3	(0.6)
Network Operations	4,366.5	3,935.8	430.7
Computer Services	30,848.0	31,336.4	(488.4)
Data Services & Office Expenses	2,253.4	2,191.6	61.8
Insurance Expense	3,595.3	3,887.2	(291.8)
Board of Directors Expense	1,637.1	1,636.5	0.6
Meetings & Related Expenses	1,636.9	1,637.2	(0.3)
Education & Training	1,479.4	1,433.1	46.3
Taxes, Permits, Licenses & Fees	277.7	277.1	0.6
Total Operating Expense	252,736.5	253,688.1	(951.7)
Revenues, Other Income	(1,811.1)	(1,783.0)	(28.0)
Operating Expenses net of Revenue	250,925.4	251,905.1	(979.7)
CEO Emerging Work Allowance	4,092.7	3,000.0	1,092.7
Board Contingency	700.0	700.0	-
NPCC/NERC Dues & Expense	9,206.9	9,253.5	(46.6)
Interest Expense	4,504.5	4,571.0	(66.5)
Net Expense Before Depreciation	269,429.6	269,429.6	(0.0)
Depreciation Expense	36,899.7	36,915.3	(15.7)
Gain/Loss Fixed Asset Disposal	48.0	60.0	(12.0)
Total Depreciation	36,947.7	36,975.3	(27.7)
Tariff Expense for ACT Recovery	\$ 306,377.2	\$ 306,404.9	\$ (27.7)

Capital Forecast 2025 – All Capital Spending

Description	(Dollars in Thousands)				
	Actual Spending Current YTD	Forecast Current Year	Forecast Current Year	Original 2025 Budget	Variance to Original Budget
		Cost to Complete	Total		
Furniture/Fixtures/Building/Property Improvements	19.1	480.9	500.0	500.0	-
Hardware/Software	322.4	2,677.6	3,000.0	2,000.0	1,000.0
SIR'S:					
. Internal Capital Development	34.9	1,465.1	1,500.0	1,250.0	250.0
. External Capital Development	80.0	1,420.0	1,500.0	1,250.0	250.0
Non-Project Capital Spending	456.3	6,043.7	6,500.0	5,000.0	1,500.0
Capital Projects - Approved Charters					
. nGEM Real-Time Market Clearing Engine	269.3	4,600.7	4,870.0	4,043.6 C	826.4
. Day-Ahead Ancillary Services Improvements	293.0	810.6	1,103.6	1,526.8 C	(423.2)
. Managing Transmission Line Ratings	317.0	2,396.5	2,713.5	1,722.6 C	990.9
. CIP Electronic Security Perimeter Redesign Phase II	32.7	1,263.4	1,296.2	270.2 C	1,026.0
. Enterprise Resource Planning System Replacement	317.9	2,457.0	2,774.9	1,900.0 P	874.9
. FERC Order 841	142.5	2,826.1	2,968.6	2,000.0 P	968.6
. EMS Short-term Load Forecast Replacement	62.9	-	62.9	38.5 C	24.4
. nGEM Software Development Part III	(3.3)	-	(3.3)	2,937.5 C	(2,940.8)
. CAMS Application Software Technology Upgrade	126.0	683.3	809.4	667.9 C	141.5
. Network Modeling Tool Enhancements	48.7	650.0	698.7	523.4 C	175.3
. Day-Ahead Ancillary Services Benchmark Levels	0.1	-	0.1	-	0.1
. SMS App Upgrade	16.6	874.4	891.0	-	891.0
. IAM Automation Improvements	5.2	837.6	842.8	-	842.8
. Automatic Ring Down Circuit Continuity	6.5	277.1	283.6	277.0 C	6.6
. 2025 Issue Resolution	-	728.0	728.0	750.0 P	(22.0)
. New England Clean Energy Connect	18.7	350.5	369.3	316.9 C	52.4
. Replace Employee Expense Management System	11.3	341.8	353.0	-	353.0
. Forward Capacity Market Delivery Financial	21.6	320.3	341.9	-	341.9
. PCEC Upgrade	2.7	149.0	151.7	88.1 C	63.6
. Integrated Market Stimulator nGEM Compatibility	1.0	-	1.0	1,500.0 P	(1,499.0)
. Other Projects with Total Costs <\$500K (1 project)	52.9	-	52.9	7.7	45.2
Sub Total Projects with Approved Charters	1,743.4	19,566.4	21,309.8	18,570.2	2,739.6
Planning/Conceptual Design					
. Advanced Technology Initiatives	-	2,000.0	2,000.0	-	2,000.0
. Space Utilization Project - Windsor	79.5	1,280.5	1,360.0	-	1,360.0
. Space Utilization Project Phase I	20.5	619.5	640.0	2,000.0 P	(1,360.0)
. EMP 3.5 Upgrade - GridOS	-	1,000.0	1,000.0	1,500.0 P	(500.0)
. FERC Order 2222	-	1,000.0	1,000.0	1,000.0 P	-
. Resource Capacity Accreditation	-	-	-	-	-
. Storage as Transmission Only Asset	-	500.0	500.0	400.0 P	100.0
. GridOS Connect	9.2	160.3	169.5	-	169.5
. Atlassian Cloud Migration	64.0	157.5	221.5	-	221.5
. Tie Line Telemetry Replacement	-	150.0	150.0	500.0 P	(350.0)
. Microsoft 365 Phase II	2.5	147.5	150.0	-	150.0
. Forward Capacity Tracking System to the Cloud	22.8	79.2	102.0	-	102.0
. Enterprise Core Network Refresh	-	110.0	110.0	2,000.0 P	(1,890.0)
. Long-Term FTRs	-	-	-	On Hold	-
. Other Projects with Total Costs <\$500K - Planning	33.9	293.5	327.5	4,819.0	(4,491.5)
. Other Emerging Work Projects	-	5,859.7	5,859.7	5,710.8	148.9
Sub Total Planning/Conceptual Design	232.5	13,357.7	13,590.2	17,929.8	(4,339.6)
TOTAL Capital Projects	1,975.9	32,924.1	34,900.0	36,500.0	(1,400.0)
Capitalized Interest & Loan Fees	-	1,100.0	1,100.0	1,000.0	100.0
Total Capital Expenditures	2,432.2	38,967.8	42,500.0	42,500.0	-

Capital Forecast – Capital Project Spending through January 2025

(dollars in thousands)

<u>Description</u>	Project-To-Date	Current Year Cost to Complete	Future Year(s) Cost to Complete	Total Project Costs	Estimated Go-Live	Original Go-Live
Capital Projects - Approved Charters						
. nGEM Real-Time Market Clearing Engine Implementation	7,947.8	4,600.7	2,203.6	14,752.2	5/26	6/26
. Day-Ahead Ancillary Services Improvements	8,260.9	810.6	-	9,071.5	2/25	3/25
. Managing Transmission Line Ratings	5,305.4	2,396.5	-	7,701.9	11/25	11/25
. CIP Electronic Security Perimeter Redesign Phase II	4,540.5	1,263.4	-	5,804.0	5/25	6/25
. Enterprise Resource Planning System Replacement	2,849.4	2,457.0	84.0	5,390.4	12/25	12/25
. FERC Order 841	610.3	2,826.1	54.2	3,490.6	11/25	10/25
. EMS Short-term Load Forecast Replacement	1,488.8	-	-	1,488.8	1/25	2/25
. nGEM Software Development Part III	1,460.0	-	-	1,460.0	3/25	4/25
. CAMS Application Software Technology Upgrade	672.5	683.3	-	1,355.9	6/25	6/25
. Network Modeling Tool Enhancements	620.0	650.0	-	1,270.0	6/25	7/25
. Day-Ahead Ancillary Services Benchmark Levels	1,147.1	-	-	1,147.1	2/25	8/24
. SMS App Upgrade	55.2	874.4	-	929.6	10/25	10/25
. IAM Automation Improvements	53.1	837.6	-	890.7	1/26	2/26
. Automatic Ring Down Circuit Continuity Modernization and	520.3	277.1	-	797.4	7/25	8/25
. 2025 Issue Resolution	-	728.0	-	728.0	10/25	9/25
. New England Clean Energy Connect	111.6	350.5	-	462.1	12/25	12/25
. Replace Employee Expense Management System	85.7	341.8	-	427.5	4/25	4/25
. Forward Capacity Market Delivery Financial Assurance Rel III	94.6	320.3	-	414.9	5/25	5/25
. PCEC Upgrade	169.2	149.0	-	318.2	6/25	10/24
. Integrated Market Stimulator nGEM Compatibility	237.0	-	-	237.0	1/25	12/25
. Other Projects with Total Costs <\$500K (1 project)	2,988.2	-	-	2,988.2		
Sub Total Projects with Approved Charters	39,217.5	19,566.4	2,341.9	61,125.8		
Planning/Conceptual Design						
. Advanced Technology Initiatives	-	2,000.0	-	2,000.0		
. Space Utilization Project - Windsor	196.6	1,280.5	-	1,477.0		
. Space Utilization Project Phase I	532.0	619.5	-	1,151.4		
. EMP 3.5 Upgrade - GridOS	-	1,000.0	-	1,000.0		
. FERC Order 2222	-	1,000.0	-	1,000.0		
. Resource Capacity Accreditation	562.0	-	-	562.0		
. Storage as Transmission Only Asset	-	500.0	-	500.0		
. GridOS Connect	338.3	160.3	-	498.7		
. Atlassian Cloud Migration	142.5	157.5	-	300.0		
. Tie Line Telemetry Replacement	-	150.0	-	150.0		
. Microsoft 365 Phase II	2.5	147.5	-	150.0		
. Forward Capacity Tracking System to the Cloud	70.8	79.2	-	150.0		
. Enterprise Core Network Refresh	-	110.0	-	110.0		
. Long-Term FTRs	907.5	-	-	907.5		
. Other Projects with Total Costs <\$500K - Planning (8	649.3	293.5	-	942.9		
. Other Emerging Work Projects	-	5,859.7	15,370.5	21,230.2		
Sub Total Planning/Conceptual Design	3,401.5	13,357.7	15,370.5	32,129.7		
Capitalized Interest & Loan Fees	-	1,100.0	-	1,100.0		
Total Capital Expenditures	42,619.0	32,924.1	17,712.4	93,255.5		