

ISO New England Proposed 2026 Operating and Capital Budgets



*NEPOOL Budget & Finance Subcommittee
Meeting*

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EXECUTIVE SUMMARY



Introduction

- The budget for 2026 represents the ISO's commitment to supporting the region as it continues to experience an evolving resource mix and changing customer use patterns; ensuring that markets and grid operations are efficient and reliable
- The budget request represents continued progress on the stakeholder-supported workplan as the ISO operationalizes initiatives undertaken over the past several years
- To ensure a successful grid transition, the ISO must focus on the near-term and what it must do to strengthen reliability today while supporting New England over a longer-term grid transition



2026 Budget Inputs and 2040 Scenario Outlook

- The 2026 ISO-NE budget implements the stakeholder-supported workplan, including items that were previously in development such as, market and energy adequacy initiatives; implementation of cloud modernization initiatives; forecasting/modeling improvements; and FERC directives that are moving from development to becoming operational
- Our review of the long-term/2040 Scenario also supports the near-term workplan and budget
 - Electrification will continue, as well as the decarbonization of the energy sector
 - States are progressing to achieve interim 2030 economy-wide emissions reductions
 - Developments support substantial decarbonization of electric sector by 2040
- Increasing grid complexity, proliferation of behind-the-meter solar (BTMPV) and new grid technologies drive need for progressive market products, enhanced forecasting and IT capabilities



Executive Summary

- The 2026 budget also contains funding for operational costs associated with:
 - Attracting and retaining our highly skilled workforce with competitive salaries and benefits:
 - In recent years detailed compensation review work was completed and targeted increases were made to ensure our salaries were competitive, especially in the areas of System Planning engineers, Market Development economists and analysts, and Information Technology staff
 - We want to remain competitive and continue to develop and retain our existing staff understanding the costs and lost productivity of high turnover
 - Information technology, including staffing and computer service costs for maintenance and support related to the operationalization of market, transmission, and emerging technology initiatives; Information Technology costs include those associated with:
 - Cloud Infrastructure and Data Management costs
 - Software Licensing and Subscription Fees
 - Inflation, Supply Chain Disruptions, and Tariffs
 - Modernization of Legacy Systems and Natural Hardware Refresh Cycles
 - Governance and Compliance Requirements
- The 2026 budget includes “placeholder” funding for Asset Condition Review work that will only be used for this purpose, and if not needed will not be reallocated for use elsewhere



Executive Summary *(cont.)*

- For the 2026 budget, ISO is proposing adding 25 FTEs⁽¹⁾ driven by:
 - IT support for Information and Cyber Security for Cloud Computing transition including architecture, service delivery, and IT forecasting tool support
 - Information Technology and Advanced Technology for bringing ISO-NE developed advanced technologies into the operating environment to increase our situational awareness capabilities and for migration of applications to the cloud
 - System Planning positions for supporting Long-Term Transmission Planning RFPs, NERC and NPCC requirements for energy assessments and planning, long-term forecasting, power system modeling advancements, and Transmission Planning for increased effort to support system assessments with increased penetration of inverter-based resources
 - Program Management positions as a result of increasing capital project work requiring more highly skilled personnel to manage
 - System Operations engineering support for increasing requirements related to new generation interconnections and Electromagnetic Transient (EMT) studies
 - Other positions providing organizational support including Participant Relations and Services, Legal, and Finance

(1) The Proposed 2026 Budget includes 1 additional FTE, compared to the 2026 Preliminary Budget. Funding for the additional position was offset by reductions included in the 2026 Proposed Budget.



THE STRATEGIC PLANNING PROCESS

ISO-NE's integrated business and strategic planning framework



Annual Process – Business and Strategic Planning

ISO-NE is guided by a purposeful and integrated business planning approach that drives focus towards a common target that the entire organization can align behind, with the aim of creating value for ISO stakeholders



Our Guidepost: The ISO New England Vision Statement

The ISO-NE Vision Statement is an explicit statement about our intent to support the states' policy goals to achieve a reliable transition to clean energy, utilizing competitive markets and transmission planning



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's Vision represents the company's commitment to work with FERC, the states, and market participants to support the region's grid transition within the limits of our jurisdiction

Our Responsibility to the Region: ISO's Mission

The ISO-NE Mission Statement outlines the core role and responsibilities of the ISO's daily operations



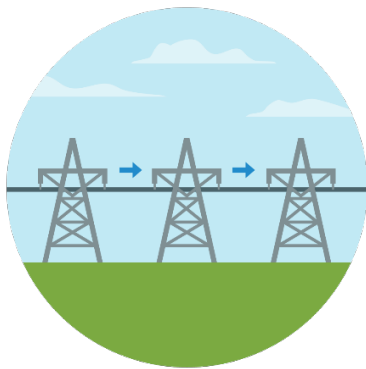
Mission Statement:

Through collaboration and innovation, ISO New England plans the transmission system, administers the region's wholesale markets, and operates the power system to ensure reliable and competitively priced wholesale electricity

Core Functions Within ISO Jurisdiction

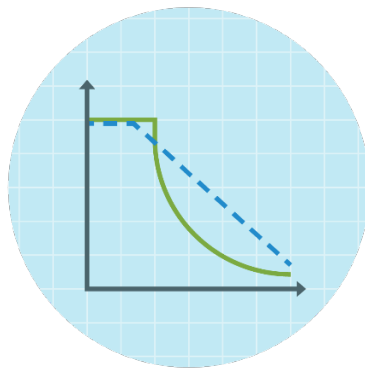
Grid Operation

Coordinate and direct the flow of electricity over the region's high-voltage transmission system



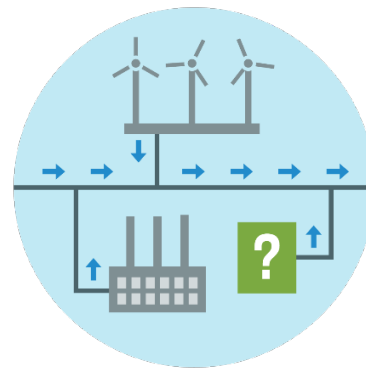
Market Administration

Design, run, and oversee the markets where wholesale electricity is bought and sold



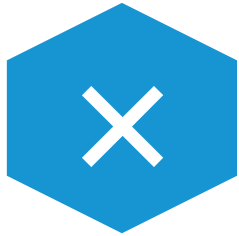
Transmission System Planning

Study, analyze, and plan to ensure the transmission system will be reliable over the next 10 years



Functions Outside of ISO Jurisdiction

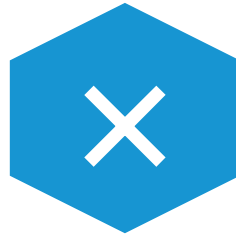
The ISO does not...



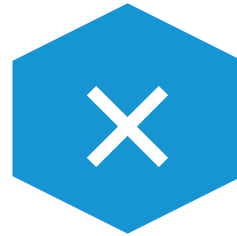
Handle
retail electricity



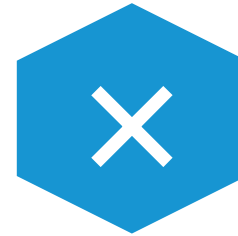
Own power grid
infrastructure



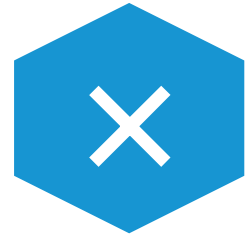
Have a stake in
companies
that own grid
infrastructure



Have
jurisdiction
over fuel
infrastructure



Have control
over siting
decisions



Plan the
resource mix



GRID TRANSITION AND ISO-NE'S BUDGET

The region continues to experience substantial changes on the grid which effect the nature and volume of work for ISO-NE



The 2026 Budget Represents the Ongoing Support of the Stakeholder-Supported Workplan

- The operationalizing of market, transmission, and emerging technology initiatives put in place through 2025 and 2026 requires ongoing support through increased headcount to service new tools and the needed technology stack associated with them
- The resource mix and customer use patterns in New England have and will continue to change independent of federal & trade policy, inflation, or permitting restrictions



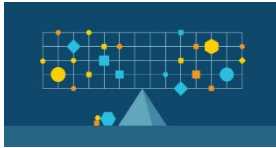
Overview of ISO-NE Initiatives to Support the Region as the Grid Transitions

- Continue capacity market reforms to better ensure power system reliability and cost-efficiency as New England's resource mix evolves
- Advance long-term transmission planning to support interconnection of new resources and address evolving system needs
- Collaborate with stakeholders to operationalize Regional Energy Shortfall Threshold (REST) and provide multi-year outlook
- Enhance collaboration with NEPOOL, state agencies, and other stakeholders to ensure inclusive and transparent decision-making
- Inform policymakers about the role of retail market designs in mitigating price volatility and promoting resource development
- Invest in advanced technologies and analytics to improve system operations and planning capabilities to improve forecasting and situational awareness around changing resource mix
- Strengthen cybersecurity measures and infrastructure to safeguard grid reliability
- Develop new framework to conduct independent reviews of asset condition projects

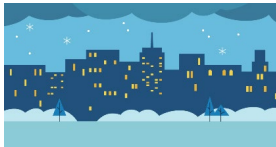
Key Trends Informing Our Budget



More renewable energy and storage
on the New England grid by 2030

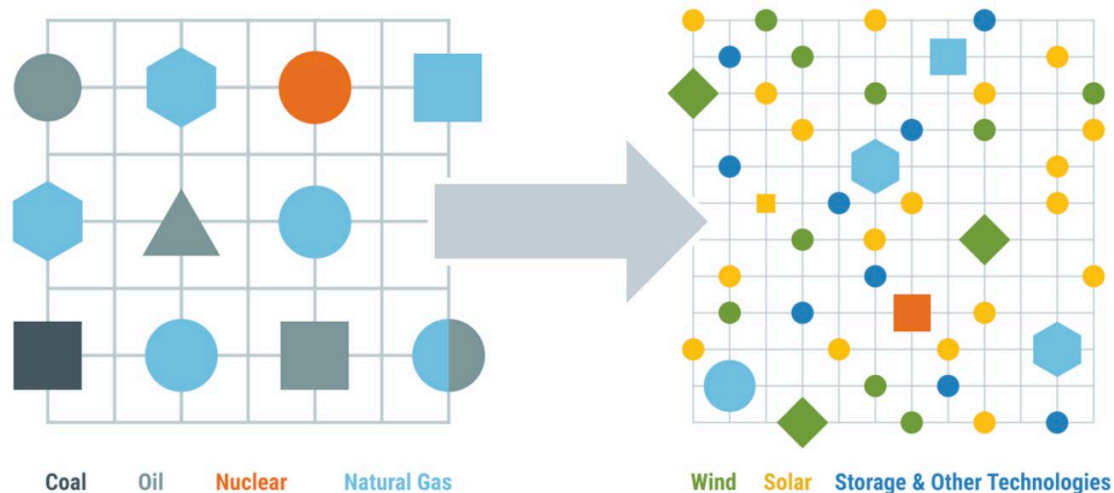


Increasing complexity due to
electrification and growth
of inverter-based resources



New England's seasonal operating risks

Two Dimensions to the New England Energy Transition that Contribute to Increased Grid Complexity by 2040



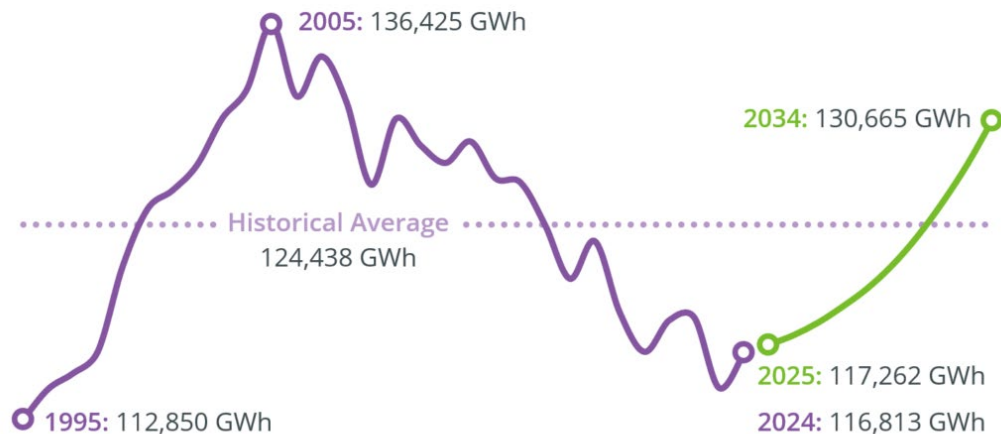
1 A shift from centrally dispatched generation to distributed resources

2 A shift from conventional generation to weather-dependent renewable generation

Increased Electrification is Expected to Drive Steady Growth in Net Annual Energy Use

Following two decades of decreased net energy via state policies incentivizing solar PV and energy efficiency

Historical and Forecast Net Energy Use

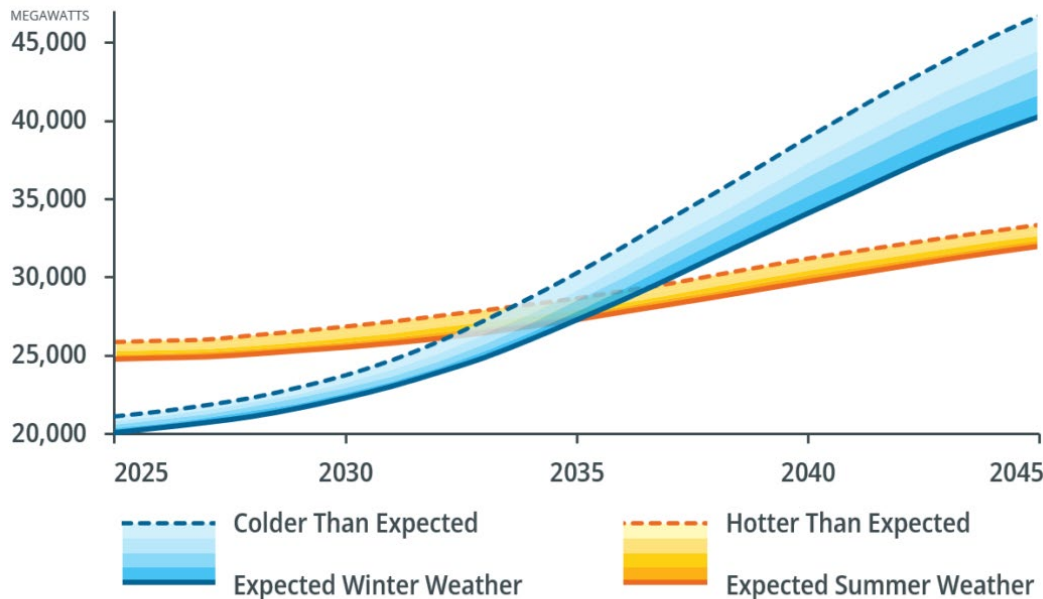


- Net annual energy use in New England grew steadily between 1995 and 2005
- Since 2005, net annual energy use has trended downward mainly due to an increase in energy efficiency
- ISO New England is predicting steady growth in net annual energy use over the next decade

Source: [ISO New England 2024-2033 Forecast Report of Capacity, Energy, Loads, and Transmission](#) (2025 CELT Report) (May 2025)

Changes in Timing of Daily Peaks has Necessitated Advanced Modeling Methodologies

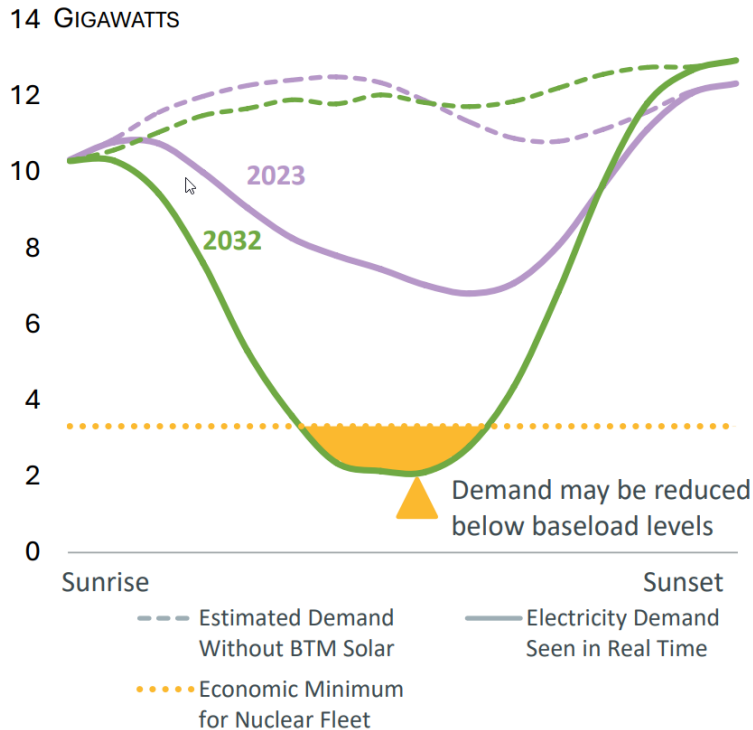
Forecast Summer and Winter Peaks



SOURCE: ISO NEW ENGLAND

- By the mid-2030s, the ISO projects that peak demand will occur during the winter rather than the summer
- The timing of daily peaks is also expected to change coincident to increasing demand
 - Currently, peak demand occurs in the early evening
 - Heating electrification is expected to result in morning peaks during winter
- In the later 2040s, both winter and summer could see peaks around 10 p.m. as overnight electric vehicle charging becomes more of a factor

Small, Distributed Energy Resources Continue to Drive Low-Load Conditions



- New England reached a new low daytime load with no disruption to grid operations
- Preliminary data shows that power system demand fell to 5,318 megawatts (MW) on the afternoon of April 20, 2025
 - It was the fourth year in a row the grid set a record low
 - More than 1,200 MW lower than the previous record of 6,596 MW set in April 2024
- Demand reached a daily peak of ~11,800 MW as solar production waned
- Other resources including natural-gas-fired generators, wind, and hydroelectric facilities supplied more electricity to the grid to meet the evening peak

SUPPORTING THE FOUR PILLARS

ISO Initiatives to bolster the four pillars



Four Pillars of Supporting a Successful Energy Transition

When the ISO looks toward the future, these are the objectives the ISO, states, market participants, and regulators need to advance in order to support the grid transition



1

Significant amounts of clean energy to power the economy with a greener grid in line with States' policy objectives



2

Balancing resources that keep electricity supply and demand in equilibrium



3

Energy adequacy a dependable energy supply chain and/or a robust energy reserve to manage through extended periods of severe weather or energy supply constraints



4

Robust transmission to integrate renewable resources and move clean electricity to consumers across New England

Clean Energy Pillar – ISO Initiatives

ISO activities to support clean energy pillar include initiatives across our strategic goals and Implementing FERC Orders

2025

- ISO identifies points of interconnection in NE that can accommodate up to 9600MW of offshore wind without significant upgrades
- Implementing Order 2023 to streamline interconnection queue
- Integrating electromagnetic transient (EMT) tools into operational analyses to better account for storage, solar & wind facilities
- Designing Capacity Auction Reforms (CAR) to appropriately compensate resources for capacity available to address reliability (implementation 2028)
- Order 841 implementation

2026

- Explore enhancing probabilistic forecasting to improve evaluating BTMPV, along with other weather dependent resources
- Implement FERC Order 2222 to promote participation of aggregated distributed resources in wholesale electric markets
- Complete Transitional Cluster Study, per Order 2023

Balancing Resources Pillar – ISO Initiatives

ISO is supporting the balancing resources pillar through innovative market design work

2025

- Implement Day-Ahead Ancillary Services Initiative (DASI) to create pricing incentives for specific energy and reserve capabilities needed for reliability as regional supply and demand transform
- Designing Capacity Auction Reforms (CAR) to appropriately compensate resources for capacity available to address reliability (implementation 2028)
- Complete prompt and deactivation design for CAR – Including final tariff review and vote
- CAR Seasonal/Accreditation
 - Key directional design decisions
 - Potentially preview early design concepts
 - Begin conceptual/detailed design
- Begin CAR directional qualitative impact analyses

2026

- Implement FERC Order 2222 to promote demand response participation in wholesale electricity markets; continue to support operating reserves
- CAR Impact Analysis: Publish estimate of regional cost impacts and revenue effects by resource class
- Complete design of Seasonal Accreditation

Energy Adequacy Pillar – ISO Initiatives

ISO is supporting the energy adequacy pillar through innovative operational and planning analyses, stakeholder outreach as well as exploring potential market design improvements

2025

- Defining an acceptable REST with stakeholders
- Designing Capacity Auction Reforms (CAR) to appropriately compensate resources for capacity available to address reliability (implementation 2028)
- Implementing DASI and begin assessing further market reforms to support flexible reserves for those resources that can respond to operational uncertainty and higher ramp rates
- Evaluate Potential Tie Benefits Winter Modeling Improvements
 - Report to stakeholders in Q3/Q4 2025, in alignment with CAR stakeholder schedule on seasonal tie benefits

2026

- Complete conceptual and detailed design of CAR – Seasonal/Accreditation
 - Tariff review and vote
- Begin discussions on a specific proposal for Flexible Response Services
 - Qualitative and quantitative impact analysis information
- Explore using Probabilistic Energy Adequacy Tool (PEAT) analyses to support outage coordination management

Transmission Pillar – ISO Initiatives

The ISO has completed work on the 2050 Transmission Study, outlining the needs and considerations for the region and is continuing to work with stakeholders regarding transmission.

2025

- ISO identifies points of interconnection in NE that can accommodate up to 9600MW of OSW without significant upgrades
- First Competitive Solicitation for Longer-Term Transmission Planning (LTP) Solution
 - Administer RFP for transmission to integrate Northern Maine
- Transmission Sizing for the Energy Transition
 - Discussions to establish “right-sizing” guidelines are expected to begin after the states and Transmission Owners complete their asset condition process improvements initiative
 - **ISO considering “Asset Condition Reviewer” Role that could inform the “right-sizing” discussion**

2026

- **TBD:** Supporting states and transmission owners on how to handle asset condition list projects
- Longer-Term Transmission Planning Phase 3
 - Stakeholder discussions are targeted to begin after Order 1920 filing, and a “lessons-learned” assessment of completing the First Competitive Solicitation for LTP Solution
- Further Inclusion of Grid Enhancing Technologies (GETs) Into Transmission Planning
- Implement Order 881 for managing transmission line ratings

2026 BUDGET OVERVIEW



Drivers of 2026 Budget Increases

- In 2026, many market and energy adequacy initiatives; FERC orders; cloud modernization initiatives; and forecasting/modeling improvements become operational and require ongoing support
- **Driver:** Salaries for FTE additions necessary for servicing the workplan
- **Driver:** Merit and promotion increases to remain competitive in what is still a tight labor market for the unique, in-demand skill sets needed at the ISO
- **Driver:** Computer services, including support costs for capital projects that have gone into operation; much of these support costs are driven by third party vendor cost increases
- There will continue to be emergent needs associated with the changing resource mix that will require ISO resources to address FERC Orders, increasing system complexity, new markets and technologies



2026 Budget Overview

- The 2026 Proposed Budget reflects the resources needed to support the region as it continues to experience an evolving resource mix and customer use patterns, to continue progress on the stakeholder supported workplan, and to continue to attract and retain our highly skilled workforce to carry out this important work
- The net revenue requirement with prior year true-ups is an increase of \$3.1M or 1.0% year-over-year
 - The proposed 2026 revenue requirement, before true-up is \$330.0M, an increase of 7.7% over 2025
 - Included in the above amounts is a \$1M “placeholder” funding for Asset Condition Review work that will only be used for this purpose, and if not needed will not be reallocated for other uses

Note: Throughout the presentation some schedules may appear inconsistent due to rounding.

2026 Budget Overview *(cont.)*

Changes Compared to Preliminary (Top-Down) Budget presented in June

- The proposed 2026 budget presented today is the bottom-up detailed budget (prepared with input from each ISO business unit and refinements to preliminary estimates), compared to the top-down budget presented in June (that included preliminary estimates); the detailed bottom-up budget resulted in a \$0.9 million decrease compared to the preliminary top-down version:
 - Decreases included changes in Salary and Overhead estimates with savings related to lower new hire salaries, lower incentive compensation, and other small \$ estimate refinements with some offset as a result a lower budgeted vacancy rate for 2026; and lower Depreciation Expense due to changes in planned capital projects and/or \$ amounts and estimated completion date
 - Increases were largely for Professional and Legal Services including funding for research and implementation of enhanced workforce security best practices, Capacity Auction Reforms support, Transmission Planning work, and external regulatory counsel fees

Resources to Manage the Changing Resource Mix and Continue to meet Operational Needs for 2026

There are two main factors, in addition to the change for the revenue requirement true-up, impacting the 2026 ISO budget and revenue requirement.

1. Adding resources to directly address work related to the changing resource mix/customer use patterns and for other support areas
 - Includes additional investment for Capacity Auction Reforms, maintenance and support of new market features and applications, and information technology (IT) investment to address cybersecurity, and the transition to cloud-based infrastructure
2. Attracting and retaining staff and other operational increases:
 - Attracting and retaining our highly-skilled workforce with competitive salaries and benefits
 - On-going support for servicing new tools and the needed technology stack, for IT infrastructure and licensing, and inflationary and various other costs
3. Net change in the annual revenue true-up

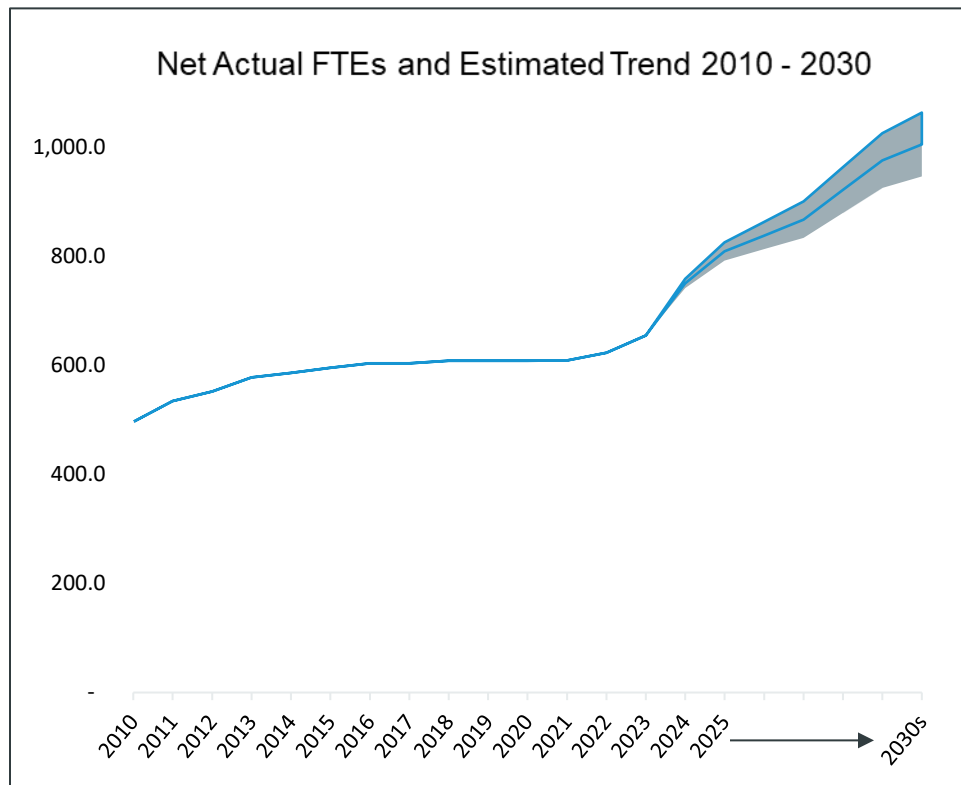
Factor	% Increase	\$ Amount	\$KWh Rate	Average Monthly Consumer Cost Impact *
Changing Resource Mix/Customer Use Patterns	5.4 %	\$17,026,400	\$ 0.00014	\$ 0.11
Attract/Retain Staff and Operational Increases	2.1%	\$ 6,520,800	\$ 0.00006	\$ 0.04
Net Change in Rev Req True-Up	(6.5)%	\$(20,445,300)	\$(0.00017)	\$(0.13)
Total Change in Revenue Req for 2026:	1.0 %	\$3,101,900	\$0.00003	\$0.02

*Average Monthly Consumer Cost Impact is based on average consumption of 750 kWh per month.

After Years of Flat Headcount, in 2023, ISO-NE Began Plan to Increase Hiring to Address the Complexity of the Grid Transition

Electric grid transition driving FTE needs:

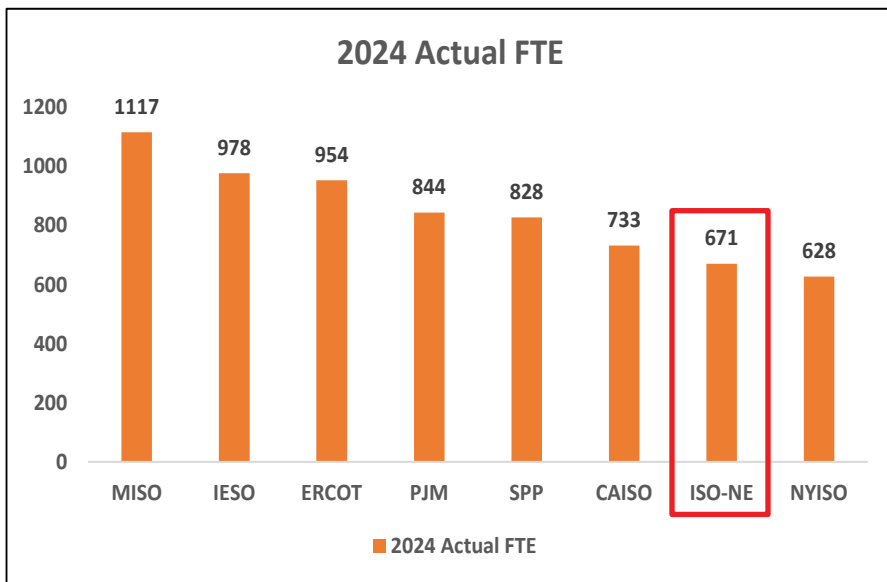
- Increasing number of resources to be interconnected, studied, and incorporated into modeling and forecasting
- New roles for the ISO including assisting states with transmission RFPs
- Increasing compliance needs to address FERC orders, and assess their impacts on operations – 2222, 841, 881, 901, 1920, and 2023
- Emergent needs to collect data for Distributed Energy Resources (DER) to address tripping and low-loads
- New and enhanced skills to work with changing technology stack, new data streams, and operationalizing new applications
- Personnel to communicate increasingly complex information to stakeholders and the public
- Increased support needs to assist the growing and distributed workforce



ISO-NE's Incremental and Actual Headcount in Comparison to other ISO/RTOs'

Other ISOs had already begun ramping up their hiring prior to ISO-NE

ISO-NE is still relatively small compared to other multi-state ISOs



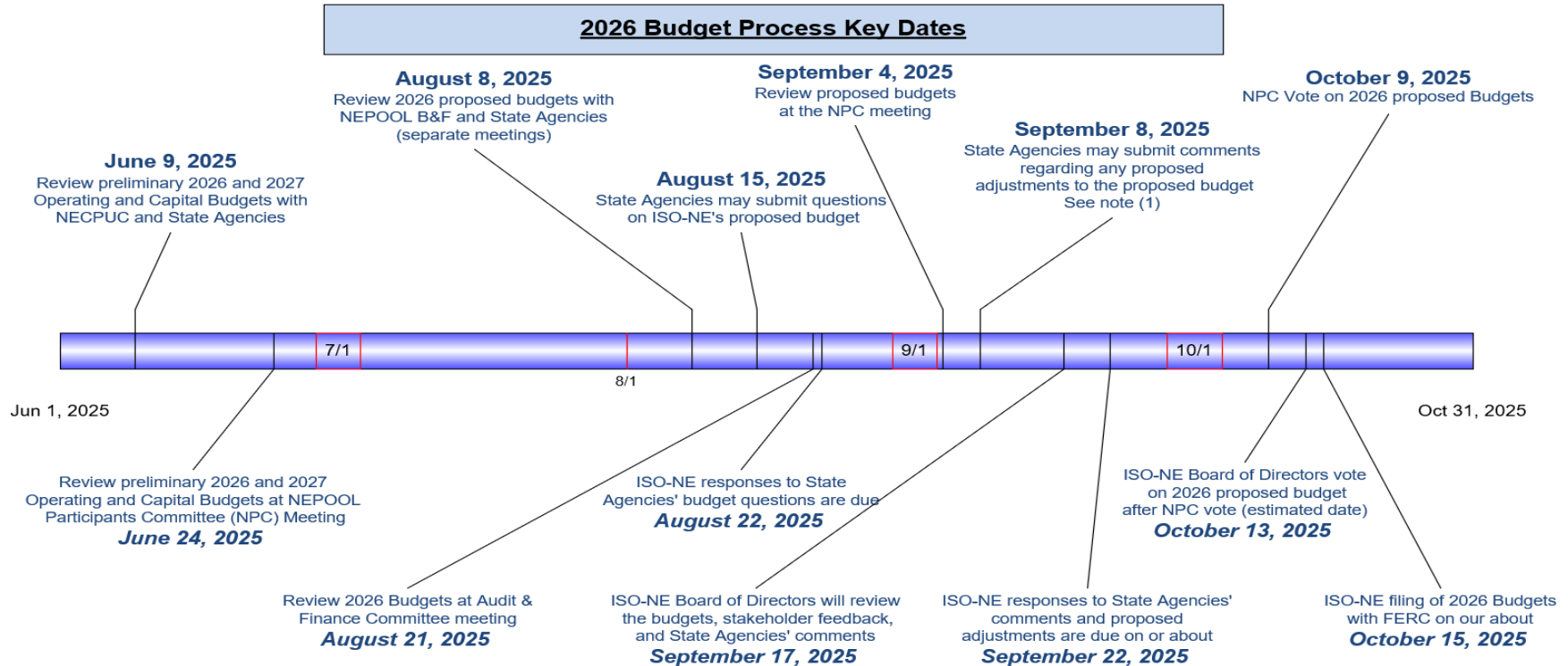
Note: FTE additions and totals are based on actual FTE amounts on 12/31 of the applicable year.

2026 Proposed Capital Budget Overview

The 2026 Capital Budget is also presented in summary form

- The 2026 Capital Budget is consistent with the 2025 Capital Budget at \$42.5M
 - Capital budget increases over the past several years have been driven by three primary drivers as explained in further detail on slides 64 to 68
 - Capital budget spending is expected to increase in the foreseeable future
 - In addition, ISO is considering additional expansion of building space which would be funded by tax-exempt bonds, if approved (See Appendix 8 for additional information)
 - The increased capital spending will result in higher interest expense costs and depreciation expense in future years as capital projects go into service and are included in operating budgets and rates
- The 2026 proposed capital budget of \$42.5M is provided with a list of projects by strategic goal that are currently chartered and on-going or in planning/conceptual design (See slides 70 to 74)
- Detailed project descriptions are presented in Appendix 7

2026 Budget Process – Key Dates



(1) According to the budget settlement agreement, State Agencies must submit comments on the proposed budgets five weeks after the August meeting which is September 12, 2025. However, we are requesting comments by September 8, 2025 to allow for timely distribution to the Board when meeting materials are mailed. This is consistent with the acceleration agreed to in 2015.

2026 Budget – 5 Year Comparison

	%		%		%		%		
(Budget Amounts are in Millions)	<u>2026</u>	<u>Change</u>	<u>2025</u>	<u>Change</u>	<u>2024</u>	<u>Change</u>	<u>2023</u>	<u>Change</u>	<u>2022</u>
Operating Budget Before Depr and Regulatory Fees	\$281.8	8.3%	\$260.2	10.1%	\$236.3	17.0%	\$201.9	10.6%	\$182.6
Capital Budget	42.5	0.0%	42.5	21.4%	35.0	4.5%	33.5	4.7%	32.0
Total Cash Budget	\$324.3	7.1%	\$302.7	11.6%	\$271.3	15.2%	\$235.4	9.7%	\$214.6
Operating Budget Before Depr and Regulatory Fees	\$281.8	8.3%	\$260.2	10.1%	\$236.3	17.0%	\$201.9	10.6%	\$182.6
Depreciation and Regulatory Fees	48.2	4.2%	46.2	13.8%	40.6	6.1%	38.3	17.9%	32.5
Revenue Requirement Before True-up	330.0	7.7%	306.4	10.7%	276.9	15.3%	240.2	11.7%	215.1
True up	(15.6)		4.8		(3.0)		(14.6)		1.1
Revenue Requirement	\$314.4	1.0%	\$311.2	13.6%	\$273.9	21.4%	\$225.6	4.4%	\$216.1
Forecast – TWhs (1)	124.7	0.9%	123.6	1.7%	121.5	(0.0)%	121.5	0.1%	121.4
\$/KWh Rate	\$0.00252	0.1%	\$0.00252	11.7%	\$0.00225	21.4%	\$0.00186	4.3%	\$0.00178
Average Monthly Consumer Cost (2)	\$1.89		\$1.89		\$1.69		\$1.39		\$1.34

(1) 2026 and 2025 forecast amounts are based on May 2025 CELT Report (Schedule 1.5.2 - Net Annual Energy - Gross (without reductions)). 2022 through 2024 use weather normalized annual energy without reduction for BTMPV which is an equivalent basis for May 2025 CELT report *Net Annual Energy - Gross (without reductions)*, and is being displayed in this manner due to a change in the 2025 CELT Report presentation of amounts. The May 2025 CELT Report can be found at https://www.iso-ne.com/static-assets/documents/100023/2025_celt.xlsx, and the weather normalized annual energy can be found at https://www.iso-ne.com/static-assets/documents/100023/forecast_data_2025.xlsx (Schedule 5 Weather Normal)

(2) Based on average consumption of 750 kWh per month.

Note: Throughout the presentation some schedules may be inconsistent due to rounding.

2026 Detailed Budget Changes by Strategic Goal



2026 ISO-NE Strategic Goals

The ISO ties its annual budget to resource requirements by Goals, Objectives, and Initiatives

Responsive Market Designs:

Advance the competitive wholesale markets to support the investment and new services required for a reliable energy transition

Progress and Innovation:

Expand capabilities to support increasing grid complexity brought about by new technologies and changes to supply mix and customer use

Operational Excellence:

Focus on high quality business operations, prioritize high impact projects, and mitigate implementation risks

Stakeholder Engagement:

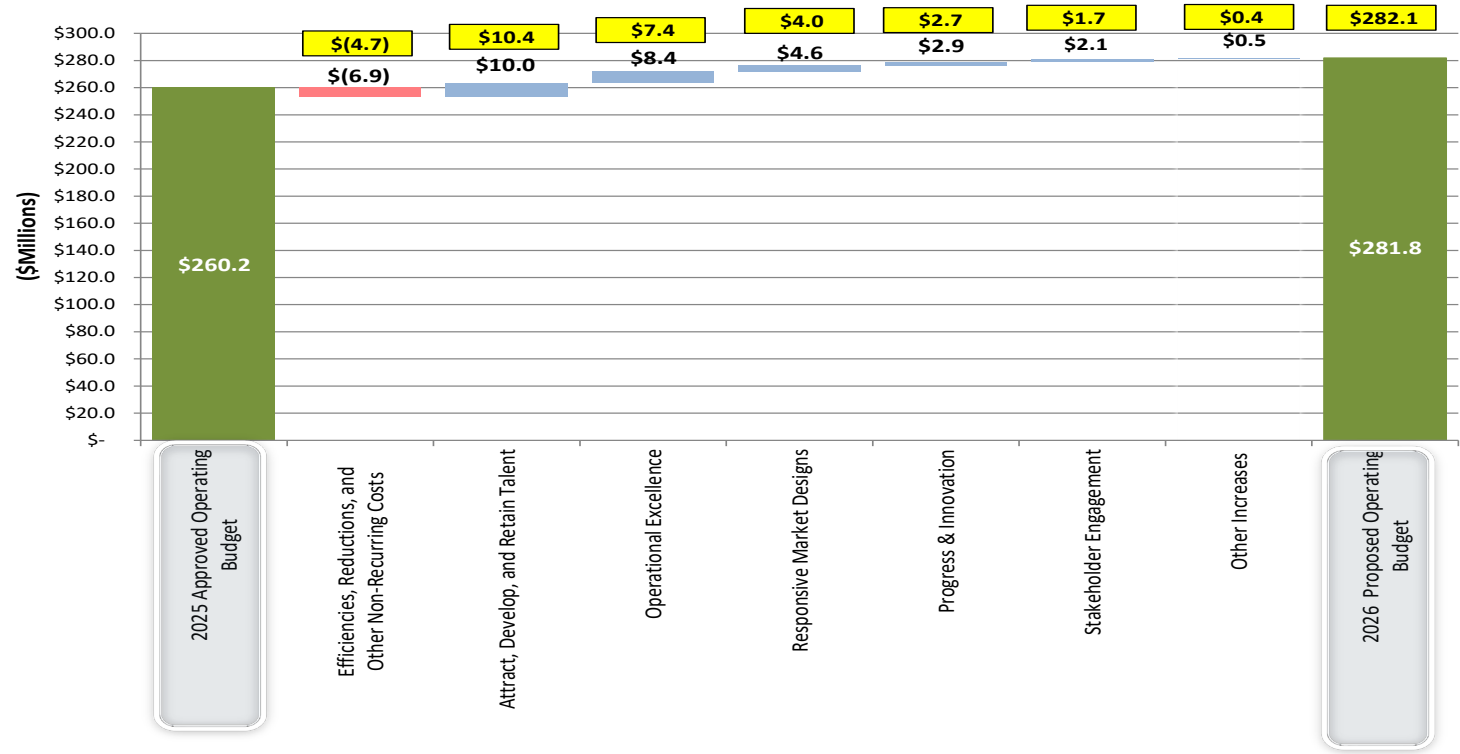
Collaboratively understand and anticipate needs, demonstrate thought leadership through high-quality analysis and communication, and nurture productive relationships with regulators and stakeholders in supporting the four pillars of the clean energy transition

Attract, Develop, and Retain Talent:

Continue to promote our Culture, Mission, Vision, and Goals; develop and position the workforce to support the evolving needs of the organization; recognize and reward employees' success and innovation; tailor programs to retain and attract critical, in-demand skills; and foster an inclusive culture that values diversity of career and life experiences

2026 Budget

Changes in budget by Strategic Goal



Note: Items in yellow above represent the estimate that was included in the 2026 preliminary budget presented in June 2025.

2026 Budget Details

Efficiencies, Reductions, and Other Non-Recurring Costs

Reductions include: (\$6.9M)

- Lower salary rates and related incentive compensation due to employee turnover and retirements
- Reductions for consulting professional fees for 2025 studies or other non-recurring work including:
 - Completion of regional study work with PJM and NYISO for 1,200MW single source contingency limit appropriateness and to determine upgrades required to support 2,000MW single source limit
 - Transmission planning system assessment under NERC Transmission Planning Standard TPL-001
 - Funding of Medium-Term Energy Adequacy related work
 - Wind, Solar, and Generation dataset information that will be obtained via other sources
 - Reduction in Advanced Technology Solutions outside Research & Development support
 - Lower Relocation Expense reimbursement
 - Other miscellaneous reductions
- Reduction for no expected borrowing on working capital funds based on projections for 2026

2026 Budget Details *(cont.)*

Detailed allocation by Strategic Goal/2026 Initiatives

Changes in budget for Attract, Develop, and Retain Talent: \$10.0M

- Merit and Promotion increases: for annual merit (4.0%) and for standard and targeted promotion/adjustments (1.5%) (\$6.0M)
- An increase for the reduction of employee vacancy from 6.0% to 5.0% based on projected hiring (\$1.6M)
- Increases in employee benefit costs, primarily for medical trend, and increased number of employees in Defined Contribution Benefit Plan (\$1.5M)
- Employees fees related to the relocation of approximately 90 employees to the Windsor campus (\$0.4M)
- Consulting services, data, and research to support critical HR initiatives (\$0.2M)
- Board of Director search fees to recruit for position scheduled for turnover (\$0.2M)
- Increase in Board of Director retainer fees (\$0.1M)

2026 Budget Details *(cont.)*

Detailed allocation by Strategic Goal/2026 Initiatives

Changes in budget for Operational Excellence: \$8.4M

- Computer service and leasing increases for: cyber security (security log management, network detection and response tool, zero trust access and protection, and cloud monitoring); network collaboration software; leasing of servers as part of data center refresh; computing and storage capacity application; licensing for System Planning and Operations applications; and inflationary and vendor increases across our portfolio of computer service products (\$3.7M)
- Funding for 15.0 FTEs* for System Operations and System Planning to address technical challenges and perform system assessments and studies with the continued installation of Inverter Based Resources and for NERC/NPCC requirement responsibilities; for Information and Cyber Security for Cloud Computing transition including architecture, service delivery, and IT forecasting tool support; for project management support due to increased number and sophistication of capital projects; for Finance and Market Credit Risk to support the growth in these areas to support the organization (\$3.0M)
- Consulting support to provide research, recommendations, and implementation of enhanced security best practices for ISO workforce (including senior management) (\$0.5M)
- Increase in regulatory counsel fees for FERC Order filings and responses to supplement ISO-NE Legal staff (\$0.5M)

* FTE totals and related funding on slides 44-49 reflect partial funding for 2026 positions (18.5 FTEs), as well as a partial carryover for 2025 positions (16 FTEs).



2026 Budget Details *(cont.)*

Detailed allocation by Strategic Goal/2026 Initiatives

Changes in budget for Operational Excellence: *(cont.)*

- Network Operations increases for transition of communication lines to new technologies, for data redundancy, and for inflationary and communication line increases (\$0.3M)
- Data services subscriptions for Market Monitoring utilization and for vendor third party risk assessment (\$0.2M)
- Consultant funds to perform audits or assist ISO-NE Internal Audit group with various engagements including systems and cyber security related work (\$0.2M)



2026 Budget Details *(cont.)*

Detailed allocation by Strategic Goal/2026 Initiatives

Changes in budget for Responsive Market Designs: \$4.6M

- Funding for 6.5 FTEs* related to this goal includes: Market Development in design of market overhauls including prompt seasonal capacity market, resource capacity accreditation, and flexible response services; Operations Training and Integration to design and support training needs of Operations and Market Administration staff for new market features; Information Technology and Advanced Technology staffing to support and integrate new market features into applications and tools; and Planning and Transmission Services that will continue to be heavily involved with new market designs, identifying enhancements to existing reliability modeling and researching and developing modeling techniques for emerging technologies (\$1.3M)
- Information Technology and System Planning support for resource adequacy and capacity market modeling, which is essential to the redesign of the capacity market under the Capacity Auction Reforms project (\$1.2M)
- Support in Advanced Technology Solutions and Market Development for Capacity Auction Reforms work including gas modeling and other analysis (\$0.9M)
- Increase for nGEM vendor support with the Real-Time Market Clearing Engine application that is higher cost than the legacy Real-Time application (\$0.5M)

* FTE totals and related funding on slides 44-49 reflect partial funding for 2026 positions (18.5 FTEs), as well as a partial carryover for 2025 positions (16 FTEs).



2026 Budget Details *(cont.)*

Detailed allocation by Strategic Goal/2026 Initiatives

Changes in budget for Responsive Market Designs: *(cont.)*

- Funding for commencement of work on tariff required Net CONE (Cost of New Entry) recalculation (\$0.5M)
- Market Monitoring support for technology assessment and Artificial Intelligence development for use in detection and mitigation of energy market activity (\$0.2M)



2026 Budget Details *(cont.)*

Detailed allocation by Strategic Goal/2026 Initiatives

Changes in budget for Progress and Innovation: \$2.9M

- Funding for 9.5 FTEs* including Information Technology and Advanced Technology for bringing ISO-NE developed advanced technologies into the operating environment to increase our situational awareness capabilities and for migration of applications to the cloud; System Operations and System Planning positions for forecasting and energy analysis across different timespans as the system's resource mix continues to evolve, for modeling and electromagnetic transient analyses for market and reliability operating limits of Inverter Based Resources, for expansion of both short-term and long-term forecasting needs, and to support the continued growth and development of Power System Computer Aided Design (PSCAD) modeling capability (including database development and maintenance) for inverter-based resources (\$2.3M)
- Computer service-related costs for NERC CIP Synchrophasor compliance (\$0.5M)
- Photovoltaic Data and Forecasting service-related costs (\$0.1M)

* FTE totals and related funding on slides 44-49 reflect partial funding for 2026 positions (18.5 FTEs), as well as a partial carryover for 2025 positions (16 FTEs).



2026 Budget Details *(cont.)*

Detailed allocation by Strategic Goal/2026 Initiatives

Changes in budget for Stakeholder Engagement: \$2.1M

- Asset Condition Review work that will only be used for this purpose, and if not needed will not be reallocated for use elsewhere (\$1.0M)
- Funding for 2.5 FTEs* in Participant Relations and Services for project services (gathering, managing, and supporting the assessment of participant requests), to provide technical readiness and real-time support on corporate initiatives (FERC Orders 2222, 881, 2023), and for support on Capacity Auction Reforms to support this multi-component initiative impacting many ISO-NE teams, and coordinating with participants (\$0.6M)
- Funding for 0.5 of an FTE* in Legal to support RFP proposals under Long-Term Transmission Planning (LTTP) rules for which proposals are expected to be made annually (\$0.2M)
- Consulting support for LTTP proposals and other Transmission Planning work (\$0.2M)
- Funding for 0.5 of an FTE* in System Planning to perform economic evaluations in support of the new LTTP process and potential RFP solution reviews as well as to accommodate requests from NESCOE/States for various supporting analyses (\$0.1M)

* FTE totals and related funding on slides 44-49 reflect partial funding for 2026 positions (18.5 FTEs), as well as a partial carryover for 2025 positions (16 FTEs).

2026 Budget Details *(cont.)*

Detailed allocation by Strategic Goal/2026 Initiatives

Other Increases: \$0.5M

- Increases in Building Service costs due to cyclical maintenance items that are due for completion in 2026, higher utility expense largely for delivery service fees at Windsor facility, and inflationary and other small increases across line items (\$0.4M)
- Lower forecasted Interest Income due to projecting lower operating cash balance from expected withdrawals under FERC Order 2023 partially offset by higher miscellaneous revenue (\$0.1M)



2026 BUDGET RESOURCING NEEDS



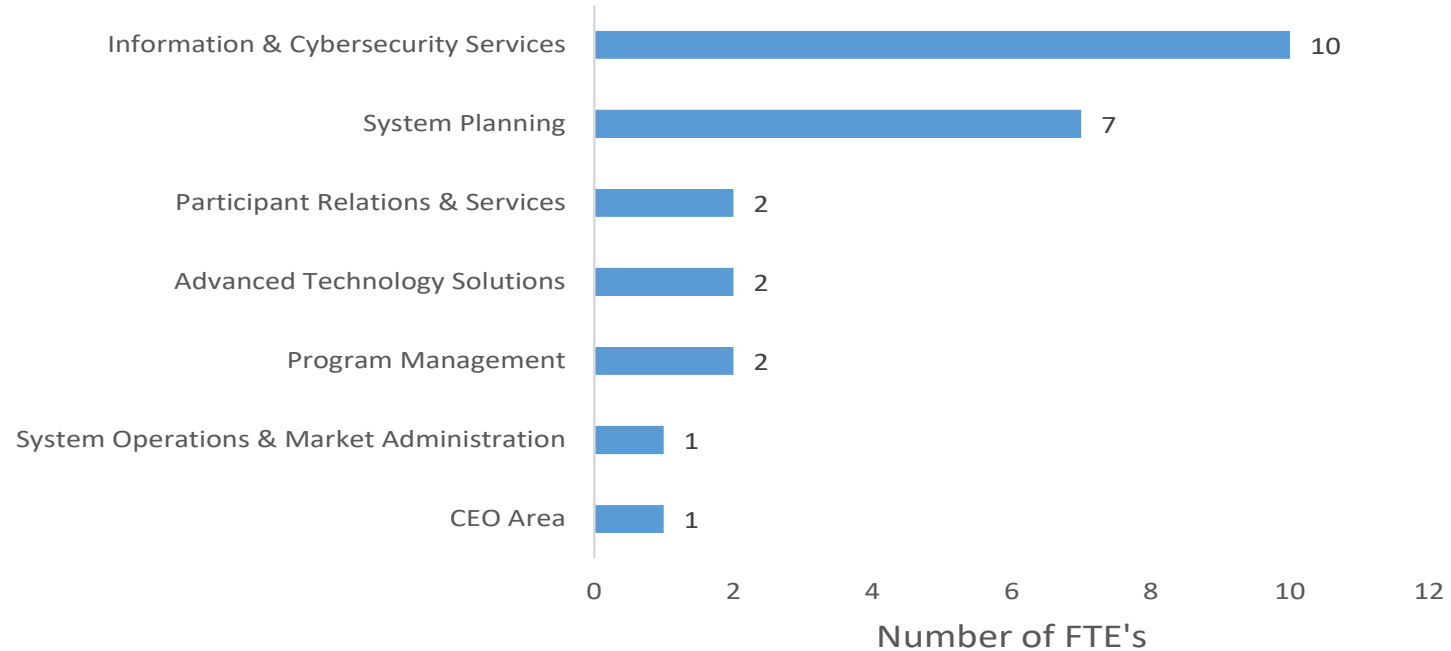
2026 Budget Resourcing Needs

Repurposed Positions

- The ISO evaluates each position that becomes vacant to determine the continued need in that area and for possible repurposing for use in other areas of the organization
 - Since 2018 this has resulted in 48 positions, including 4 to-date in 2025, being repurposed for other work where a more urgent need existed
 - Positions repurposed since 2018 include: 10 for Information Technology for Software Development, Cyber Security, Power System Modeling, Application Support, Infrastructure and Digital Transformation; 8 for System Operations & Market Administration for Energy Security, Asset Registration & Auditing, Control Room Operations, and Operations Training; 7 for Human Resources for recruiting and training support and intern conversion to full time technical roles; 6 for Market Development analysis and market design work; 2 for Advanced Technology Solutions; 2 for Market Monitoring; 2 for Market & Credit Risk; 2 for Participant Support; 2 for Corporate, Media, and Digital Communications; 2 for Finance; 1 for Load Forecasting to replace a contract position; 1 for Resource Studies & Assessments; 1 for External Affairs, 1 for Settlements; and 1 for Corporate Strategy

Requested Additional Headcount for 2026

Summary of FTE adds by department (gross) for 2026 budget



Note: CEO Area headcount additions include those for Legal, Human Resources, and Finance (1 each for a total of 3) less the relinquishing of 2 positions bring net CEO area change to 1 additional FTE



2026 Budget Resourcing Needs *(cont.)*

In 2026 there are 25 FTE (gross) additions as follows:

10.0 FTEs Information and Cyber Security Services		Clean Energy Pillar(s) ^(*)	Strategic Goal(s)
Resources to support network infrastructure services supporting Enterprise, Markets and Planning business functions across on-premises and cloud environments, shared infrastructure technologies, IT Technician personnel supporting Control Room Operations, Energy Operating Analytics Team (ATS Applications), Cyber Security, and new market initiative testing (4 FTEs Support the Energy Transition associated with the evolving resource mix)		Energy Adequacy, Clean Energy Resources	Operational Excellence; Responsive Market Designs; Progress and Innovation
7.0 FTEs System Planning			
Resources to support economic evaluations in support of the new Long-Term Transmission Planning process, increased workload due to NERC and NPCC responsibilities, continued response to long-term forecast needs driven by increased complexity, the continued growth and development of PSCAD modeling capability, the development of power flow, stability, and geomagnetic disturbance base cases for various ISO groups, and to continue to meet increasing Transmission Planning responsibilities (7 FTEs Support the Energy Transition associated with the evolving resource mix)		Energy Adequacy; Robust Transmission	Progress and Innovation; Operational Excellence; Stakeholder Engagement; and Responsive Market Design
2.0 FTEs Participant Relations & Services			
Resources to support the Capacity Auction Reforms initiative, and providing stakeholders with better translations of technical information into content they can understand and take action on (2 FTEs Support the Energy Transition associated with the evolving resource mix)		Clean Energy Resources; Energy Adequacy; Balancing Resources; Robust Transmission	Responsive Market Designs; Operational Excellence; Progress and Innovation; Stakeholder Engagement

(*) See the Four Pillars of the Clean Energy Transition on Slide 24



2026 Budget Resourcing Needs (cont.)

In 2026 there are 25 FTE (gross) additions as follows: (cont.)

2.0 FTEs Advanced Technology Solutions	Clean Energy Pillar(s)	Strategic Goal(s)
Resources to accurately model the protection and controls of Inverter Based Resources in the Electromagnetic domain; and design and develop Capacity Market clearing engine (for prompt seasonal and monthly reconfiguration auctions) as part of CAR project (2 FTEs Support the Energy Transition associated with the evolving resource mix)	Clean Energy Resources; Energy Adequacy	Progress and Innovation, and Responsive Market Designs
2.0 FTEs Program Management		
Resources to support Capital project work that has increased dramatically in the past few years and requires skilled personnel to manage these initiatives (2 FTEs Support the Energy Transition associated with the evolving resource mix)	Clean Energy Resources	Operational Excellence
1.0 FTEs System Operations & Market Administration		
Resources to support the fast-evolving power grid and high penetration of inverter-based renewable resources and address the resulting technical challenges to operating the grid in a reliable and economic manner (1 FTEs Support the Energy Transition associated with the evolving resource mix)	Clean Energy Resources	Operational Excellence
1.0 FTE CEO Area ⁽¹⁾		
Resources in Legal to support on-going RFP submissions under Long-Term Transmission Planning, in Enterprise Learning for a dedicated individual to implement and manage Information Technology and Cyber Security related education that has been identified as a need; and in Finance to augment existing staff in Accounting/Accounts Payable (1 FTE Supports the Energy Transition associated with the evolving resource mix)	Robust Transmission, Other	Stakeholder Engagement, Progress and Innovation, and Operational Excellence

25.0 FTE's Total 2026 Proposed FTE Additions

(1) While 3 FTEs are being included in CEO additions, 2 of the positions are being covered by the reallocation of existing positions within the CEO area



2026 OPERATING BUDGET RISKS



2026 Operating Budget Risks

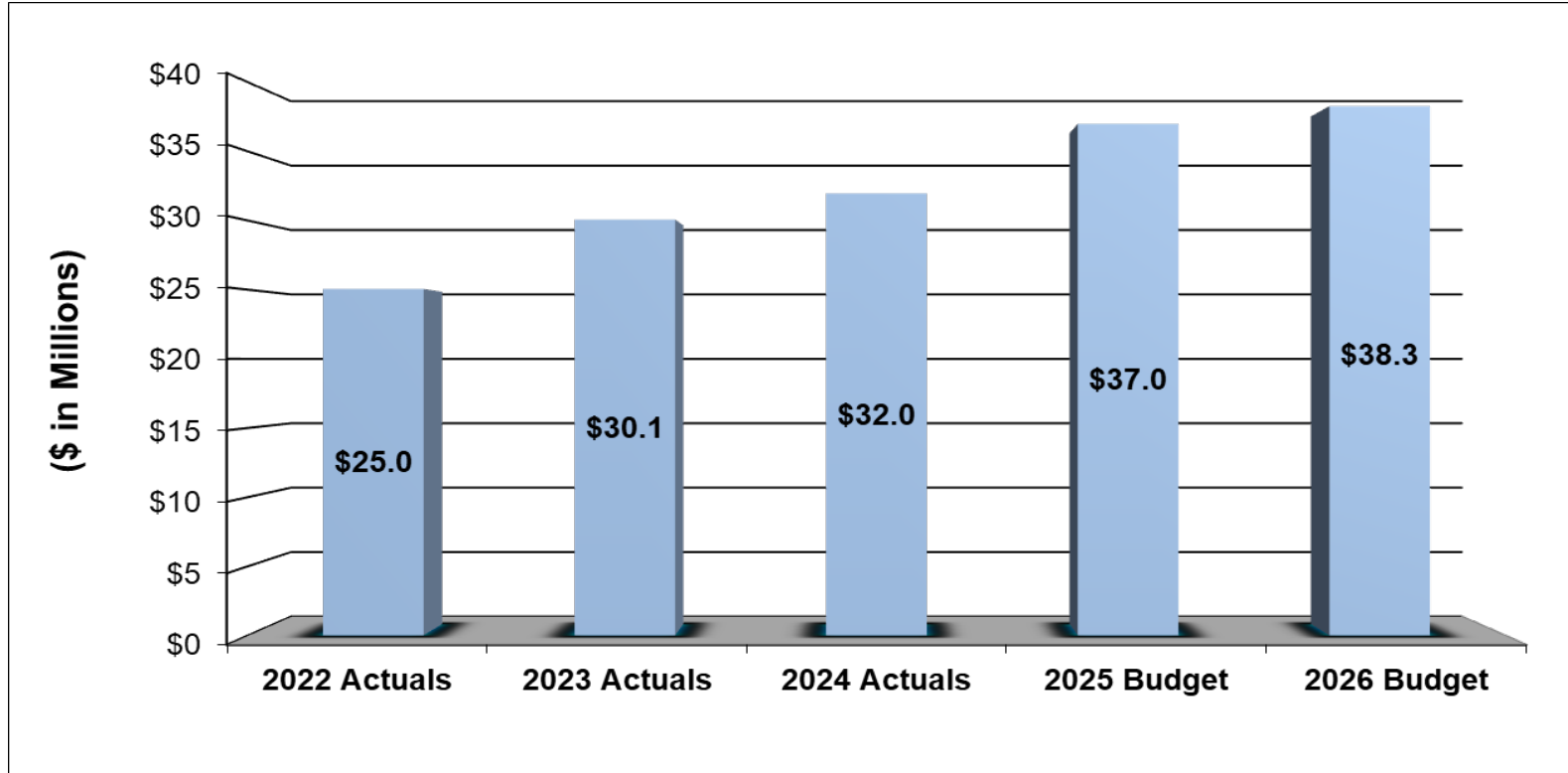
- Additional funding may be required to enhance new models to study extreme weather and contingencies; to conduct new studies related to the integration of variable resources and emerging technologies; for completing requirements on implementing Capacity Auction Reforms; and for long-range transmission planning studies including request for proposals (RFP) process for finding competitive solutions to identified transmission needs in the region
- Resources may be needed as operations evolve (e.g., energy forecasting, load management) due to the changing resource mix
- Information Technology software licensing and maintenance costs, and cloud migration costs may each require additional funding
- Insurance policy renewals may be higher than estimated as ISO is not immune to overall increases from the insurance industry due to recent natural disasters
- Interest Rates may impact the ISO floating rates on tax-exempt debt, pension and post-retirement benefit plans liability costs, and interest income on settlement float balance
- Legal costs from material litigation that may arise during the course of the year would pose a risk to the ISO's ability to operate within the approved budget
- Federal and state policy directives/changing could result in additional cost associated with new requirements
- Workforce sourcing and related pay rates and supply chain disruption may each have budgetary impacts



DEPRECIATION



ISO New England Depreciation



ISO New England Depreciation *(cont.)*

Depreciation expense is an accounting method used to allocate the cost of a tangible or physical asset over its useful life. Below is a table of the ISO's asset classes and depreciable lives.

Asset Class	Depreciable Life
Computer Hardware, Software, and Accessories	3-5 Years
Software Development Costs	3-5 Years
Furniture and Fixtures	7 Years
Machinery & Equipment	7 Years
Building Improvements	Useful life of the improvement
Leasehold Improvements	Useful life of the improvement or remaining life of the lease
Building	25 Years (economic useful life determined during bond offering)
Vehicles	3-7 Years

ISO New England Depreciation *(cont.)*

- The Capitalization Policy – Highlights

- Costs are capitalized once the dollar threshold is met and the item has a useful life exceeding one year
- 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 are capitalized as required by the Accounting of Certain Types of Regulation Topic of the Financial Accounting Standards Board ("FASB") Accounting Standards Codification
- Software development costs are capitalized as required by the Cost of Computer Service Software Development Topic of the FASB Accounting Standards Codification
- The capitalized cost of new hardware or software includes the first year of maintenance for hardware and software
- Time spent on project management and software testing for capital projects and business analysts' time in the Project Management department are capitalized and specifically noted in the Annual Administrative Costs Services and Capital Budget Filing

Questions



Forward Looking Capital Budget Spending



Forward Looking Capital Budget Spending

- The capital budget over the next five years and beyond will continue to support the Company's strategic goals with specific focus on three primary drivers with the fourth wrapping up in 2026:
 - nGem platform (replacing the current market system) set to finish in 2026
 - Major market and reliability related efforts
 - Cyber security
 - IT asset and infrastructure replacement
- In order to achieve these goals, ISO has increased the capital spending over the last few years with spending of \$35M in 2024; \$42.5M in 2025 and remains \$42.5M in 2026 with the potential to increase upwards of \$55M in future years; the capital costs are dependent on various factors, including regulatory orders and approvals and the use of professional services or internal staff
 - The ISO will continue with its current practice of providing a rolling two-year look-ahead window



Forward Looking Capital Budget Spending *(cont.)*

nGEM Platform Replacement ^(*)

- The nGEM program (next Generation Markets Management) has upgraded the core market software by supporting a system with a growing number and type of grid assets, new and more complex market features, ever multiplying security threats, and advancing IT technologies
 - GE Solutions developed nGEM in collaboration with ISO-NE, MISO, and PJM; the portion of the software upgrade unique to each ISO will be shouldered by each ISO individually
- With 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 work is expected to continue until 2026 with an estimated cost of \$15M; this last phase will wrap up the work on the nGem platform



Forward Looking Capital Budget Spending *(cont.)*

Major Market and Reliability Related Efforts

- The capital budget supports ISO's market design objectives regarding clean energy, balancing resources, energy adequacy, and robust transmission
- Many of these projects are complex efforts that will have long lead times to complete and have dependencies of stakeholder and regulatory approval; the following projects have been identified for 2026 and beyond but may fluctuate depending on stakeholder/FERC priorities:
 - Significant Capacity Market Reforms: The ISO is currently recommending the move from a forward capacity auction construct to a prompt and seasonal capacity auction construct; this is a substantial scope of work that will better position the ISO to mitigate energy adequacy risks as the power system evolves
 - Capacity Auction Reforms (CAR) is currently proposed in 3 phases over the next 2-3 years: CAR – Prompt/Deactivation; CAR – Seasonal/Accreditation; and CAR – Impact/Analysis
 - Software systems to integrate distributed energy resources into the wholesale markets

Forward Looking Capital Budget Spending *(cont.)*

Major Market and Reliability Related Efforts *(cont.)*

- Transmission Line Ratings Enhancements: This project is in response to recent FERC orders and will require substantial IT and database work to collect and appropriately use data in planning and operations
 - Market Simulator, 21 Day Energy Simulator, Inverter-Based Resource Modeling: There are various research and development efforts at the ISO that are expected to result in significant improvements to ISO modeling capabilities and situational awareness
 - Stakeholder Priorities: The ISO has embarked on an improved prioritization process with stakeholders; each year, the ISO expects stakeholders to highlight three key priorities; some of these priorities will require the development of new software and associated applications
 - Other Market Design Projects Identified in the ISO's Multi-Year Work Plan: The ISO plans to continue to make improvements to existing ancillary services, and design new ancillary services products; new ancillary products may include replacement reserves and ramping products
- Based on the complexity of the projects, the ISO expects the cost for market and reliability efforts will range from approximately \$40M - \$60M over the next five plus years

Forward Looking Capital Budget Spending *(cont.)*

Cyber Security & IT Asset and Infrastructure Replacement

- Capital spending on improvements to cyber security and IT assets and infrastructure will support the ISO's strategic goals of Operational Excellence and Progress and Innovation
- ISO's cyber security maturity level has been a major investment for a few years and will continue over the next 3-5 years; ISO has greatly benefited from these earlier investments and as such is now able to layer improved defense, network segmentation, email and web filtering to improve monitoring, detection, and recovery tools to keep pace with increasingly sophisticated attack threats
- The ISO's transition to a cloud environment began in 2022 and is expected to be a major capital effort over the next several years
 - Reliability of operating a modern system comprised of renewable and storage resources requires the processing, transfer, and storing of vast amounts of data; in multiple phases, the ISO will be implementing cloud-computing infrastructure and virtualization technology to enable more dynamic expansion of computing capability, while maintaining reliability
- The cost for IT and cyber security initiatives will vary depending on the use of professional services or internal staff; the cost will range from approximately \$20M - \$40M over the next several years

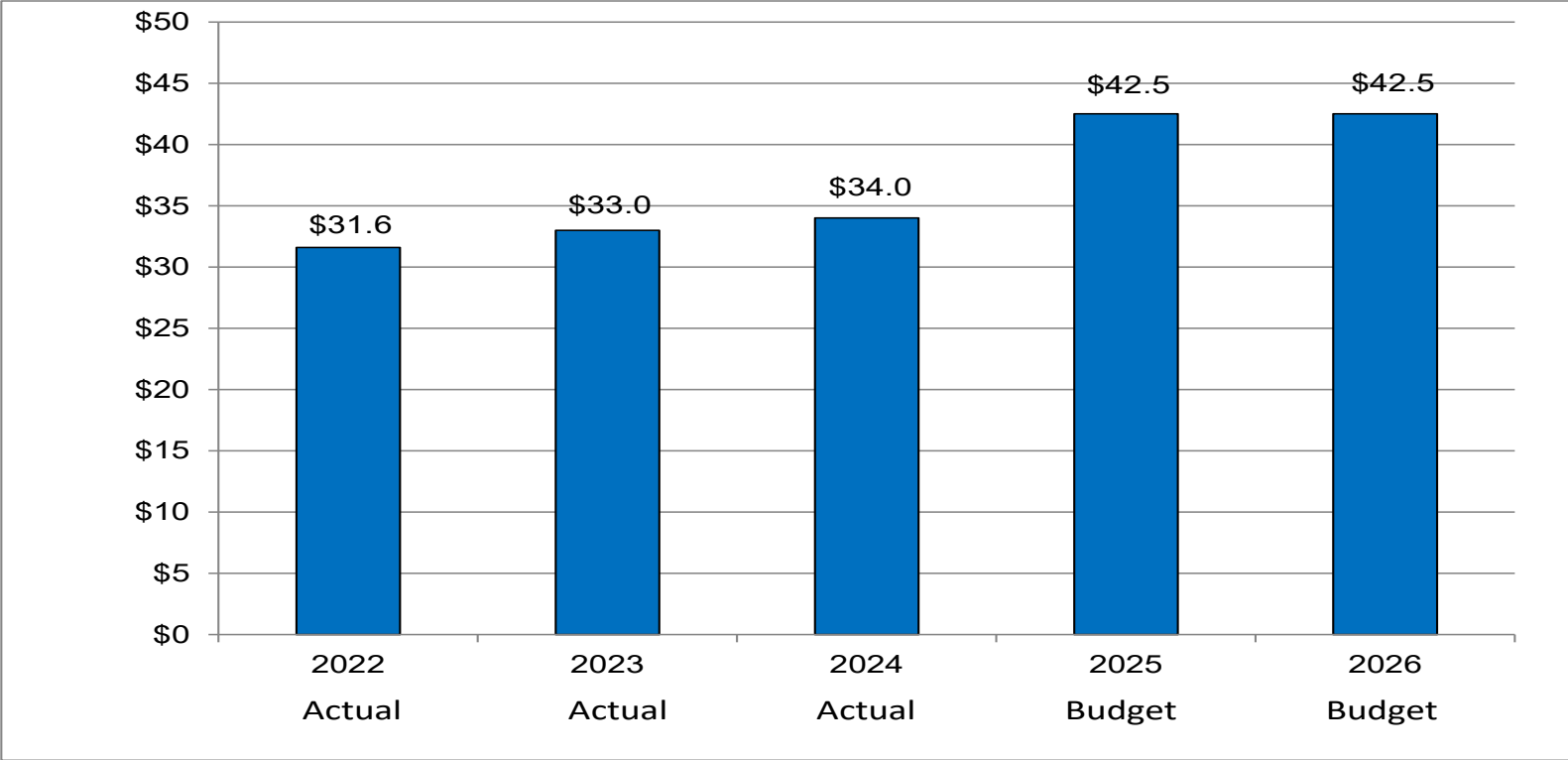
CAPITAL BUDGET SUMMARY



Capital Budget

Historical Comparison Capital Expenditures

Average +/- \$36.7M



Capital Budget

2026 Expenditures

Goal: Responsive Market Designs

Project	2026 Budget	Total Project Cost	Estimated Completion Date	Project Stage
. EMP 3.5 Upgrade - GridOS	\$3.5 M	\$6.9 M	09/2027	Conceptual Design
. GridOS Connect	\$1.5 M	\$2.0 M	12/2026	Conceptual Design
. Storage as Transmission Only Asset	\$0.5 M	\$1.0 M	10/2026	Conceptual Design
. Enterprise Core Network Refresh	\$0.1 M	\$2.1 M	08/2026	In Development
Total:		\$5.6 M		

Goal: Progress and Innovation

Project	2026 Budget	Total Project Cost	Estimated Completion Date	Project Stage
. Single Interval MCE Improvements (SIMI)	\$5.0 M	\$13.2 M	06/2028	Conceptual Design
. nGEM Real-Time Market Clearing Engine Implementation	\$3.2 M	\$14.8 M	05/2026	In Development
. Advanced Technology Initiatives	\$2.0 M	\$4.0 M	12/2026	Conceptual Design
. Day Ahead Market Simulator	\$1.8 M	\$1.9 M	12/2026	Conceptual Design
Total: \$		12.0 M		

Capital Budget

2026 Expenditures (cont.)

■ Goal: Operational Excellence

Project	2026 Budget	Total Project Cost	Estimated Completion Date	Project Stage
. Distributed Energy Resources - Order 2222	\$2.6 M	\$5.4 M	11/2026	In Development
. MW Dependent Fuel Price Adjustment	\$2.5 M	\$2.6 M	12/2026	Conceptual Design
. Atlassian Cloud Migration	\$2.0 M	\$2.3 M	12/2026	Conceptual Design
. Oracle Platform Replacement	\$1.2 M	\$1.8 M	09/2026	Conceptual Design
. Managing Transmission Line Ratings	\$1.0 M	\$8.7 M	12/2026	In Development
. Adoption of NERC CIP Compliance of Synchrophaser Systems	\$1.0 M	\$2.1 M	08/2026	In Development
. Tie Line Telemetry and PCEC Upgrade Phase II	\$0.5 M	\$0.7 M	10/2026	Conceptual Design
. Replace Employee & Pager Application	\$0.5 M	\$0.6 M	12/2026	Conceptual Design
. Solar Do Not Exceed Dispatch Phase III	\$0.5 M	\$0.5 M	12/2026	Conceptual Design
. Circuit Inventory Management Platform Phase 2	\$0.5 M	\$0.5 M	10/2026	Conceptual Design
. Operations Document Management System MS 365 Conversion	\$0.3 M	\$0.3 M	10/2026	Conceptual Design
. CIP ESP Phase 3	\$0.3 M	\$1.3 M	05/2026	Conceptual Design
. EMS CFE Refresh	\$0.1 M	\$0.8 M	06/2026	In Development
. Centralized Application Security	\$0.1 M	\$0.2 M	02/2026	In Development
. Non-Project Capital Expenditures	\$5.5 M	\$5.5 M		
Total:		\$18.5 M		

Capital Budget

2026 Expenditures *(cont.)*

● Goal: Stakeholder Engagement

Project	2026 Budget	Total Project Cost	Estimated Completion Date	Project Stage
. Order 2023 Interconnection Reforms	\$2.0 M	\$2.1 M	09/2026	Conceptual Design
Total:	\$2.0 M			



Capital Budget

2026 Expenditures Summary

2026 Capital Budget Expenditure Summary

Allocation Category	2026 Budget
Goal:Operational Excellence	\$18.5 M
Goal: Progress and Innovation	\$12.0 M
Goal: Responsive Market Designs	\$5.6 M
Other Emerging Work	\$3.2 M
Goal: Stakeholder Engagement	\$2.0 M
Capital Interest	\$1.2 M
Total:	\$42.5 M

CAPITAL STRUCTURE AND CASH FLOW



Capital Structure

- The ISO increased its working capital line from \$20M to \$40M in March of 2024; the working capital line, which will expire on March 1, 2028, covers the ISO's operational needs and cash flow risks, including lower than projected load driving decreased Tariff collections, a continued increase in budgetary needs over the next 3 - 4 years, and more recently the issuance of FERC Order 2023 which may increase withdrawals of system impact studies
- Capital project costs are largely funded by \$75M in Private Placement Notes that were increased in 2024, from \$50M, and require interest only payments until full payment of principal in 2034
 - As noted in last year's budget materials, the private placement note increase in 2024 was to support increased capital spending, that has occurred over the past several years, and longer lead times to complete projects resulting in a greater period of time from when the ISO spends capital funds to tariff recovery through depreciation expense of these projects
- For the six months ended June 30, 2025, the ISO's total weighted average cost of capital was 4.45%, excluding fees charged on the various debt financing; fees ranged from .075% to .38%

Capital Structure and Cash Flow (cont.)

	2025 Forecast	2026 Budget	2027 Forecast	2028 Forecast	2029 Forecast
Cash flows from operating activities:					
Operating Cost Recovery *	\$ 271,432	\$ 275,524	\$ -	\$ -	\$ -
Non Cash Items:					
Depreciation, Amortization & G/L on Disposals	35,341	38,213	43,853	44,660	47,276
Amortization Term Loan Fees	91	129	129	129	129
Chg in Accrued Expenses & Deferred Revenue-Depreciation	(23,057)	-	-	-	-
Interest Expense	(4,254)	(3,639)	-	-	-
Operating Expenses *	(259,341)	(287,972)	-	-	-
Net cash provided by operating activities	20,212	22,255	43,982	44,789	47,405
Cash flows from investing activities:					
Capital expenditures	(42,500)	(42,500)	(44,500)	(46,500)	(48,500)
Net cash used in investing activities	(42,500)	(42,500)	(44,500)	(46,500)	(48,500)
Cash flows from financing activities:					
Net Proceeds/(Repayment) - Revolving Credit Line	-	-	3,000	5,000	4,000
Net Proceeds/(Repayment) - Revolving Capital Credit Line	-	-	-	-	-
Repayment of Principal - Private Placement	-	-	-	-	-
Proceeds - Private Placement	-	-	-	-	-
Repayment of Principal - Tax Exempt Bonds	(3,180)	(3,180)	(3,180)	(3,180)	(3,180)
Net cash provided by (used by) financing activities	(3,180)	(3,180)	(180)	1,820	820
Net increase/(decrease) in cash	(25,468)	(23,425)	(698)	109	(275)
Cash & Cash Equivalents on Hand - Beginning of Period	49,960	24,492	1,067	369	478
Change in Cash & Cash Equivalents Available	(25,468)	(23,425)	(698)	109	(275)
Cash & Cash Equivalents on Hand - End of Period	\$ 24,492	\$ 1,067	\$ 369	\$ 478	\$ 203
Debt Maturity Schedule					
Tax Exempt Bond - BCC	1,360	1,360	1,360	1,360	1,360
Tax Exempt Bond - MCC	1,820	1,820	1,820	1,820	1,820
Total Year Repayment	\$ 3,180	\$ 3,180	\$ 3,180	\$ 3,180	\$ 3,180

*= Operating Cost Recovery for 2025 has increased by an under collection in 2023 of \$4,844 which was not amortized in 2024 but included in the 2025 tariff. The over collection of \$15,601 for 2024 will be filed with the 2026 tariff and will be reflected in the Operating Cost Recovery for 2026. The Operating Cost Recovery for 2027-2029 is projected to offset Operating Expenses for 2027-2029. The Operating Cost Recovery amount for 2027-2029 has not yet been established at this point.

Questions



APPENDIX 1: OTHER OPERATING BUDGET DETAILS



Operating Budget Details - Budget Categories

(see next slides for detail on certain categories)

(\$ in thousands)	2022 Actual	2023 Actual	2024 Actual	2025 Budget	2026 Budget
Salaries	\$94,438	\$104,324	\$118,815	\$134,822	\$146,441
Burden	30,117	32,993	35,303	39,138	43,009
Professional fees and consultants	19,833	22,200	24,873	27,777	28,468
Building services	3,348	3,339	3,421	3,492	3,869
Rents/leases	696	719	1,145	2,123	2,372
Network Operations	2,958	3,138	3,856	3,936	4,287
Computer services	17,482	20,469	24,115	31,336	36,024
Insurance expense	2,633	2,927	3,262	3,887	3,831
Board of Directors Expense	1,674	1,543	1,528	1,637	1,727
Meetings & Related Expenses	1,015	990	1,606	1,637	1,786
Education & Training	1,062	1,032	1,148	1,433	1,410
Interest Expense	2,249	2,834	3,576	4,571	3,768
Contingency Funds	-	-	-	3,700	3,700
Other Expense	1,931	1,863	2,050	2,469	2,784
Interest Income & Other Revenue	(1,267)	(2,055)	(2,363)	(1,783)	(1,691)
Net Expense before Depreciation and Regulatory Fees (1)	178,169	196,318	222,335	260,175	281,785
Depreciation	25,046	30,056	31,955	36,975	38,252
NPCC and NERC Dues	6,437	7,277	8,048	9,253	9,955
Total ISO Tariff Recovery	\$ 209,652	\$ 233,651	\$ 262,338	\$ 306,404	\$ 329,991
Revenue True-up	1,071	(14,589)	(3,006)	4,844	(15,602)
Revenue Requirement	210,723	219,062	259,331	311,248	314,390
Network Load (GWh)	121,378	121,521	121,489	123,578	124,691
Grid Market Charge \$/KWh	\$0.00174	\$0.00180	\$0.00213	\$0.00252	\$0.00252
Headcount (FTE's) (2) (3)	589.5	614.5	670.5	688.5	733.5

- (1) Net Expense Before Depreciation and Regulatory Fees of \$281.8 million for 2026 agrees to slide 38 of the presentation.
- (2) 2022, 2023 and 2024 reflect December 31 actual headcount for those years. 2025 and 2026 reflect planned headcounts of 746.5 and 777.5, respectively, less vacancy (of 6.0% for 2025 and 5.0% for 2026) and the impact of layering in new positions to account for recruiting and onboarding.
- (3) Funding of \$6.4 million of Salaries and \$2.3 million of Burden exists for 2026 internal capital development and reimbursable study time of ISO-NE Employees. Total Salaries and Burden including these and operating costs equal \$198.7 million.

Operating Budget Details - Budget Categories (cont.)

The following are explanations of budgeted items that are included in the ***Other Expense*** and ***Interest Income & Other Revenue*** lines of the budget details by category (as shown on the previous slide):

- ***Other Expense*** – This line includes Data Services & Office expenses which include subscriptions for industry and general information, professional dues, printing, office supplies and equipment, and postage and courier; this line also includes payment in lieu of taxes, bank fees, and business & license fees
- ***Interest Income & Other Revenue*** – This line includes interest income on accounts, purchase discount (primarily from utility expense), and miscellaneous service revenue

The following are line items that contain budget increases in 2026 which are greater than 5% or \$500,000 and a brief explanation of what is driving the change:

- ***Salaries (\$11.6M or 8.6%)*** – Increases include salary related to annual merit and promotional increases, funding for the addition of 34.5 full-time equivalent positions including funding for 18.5 in 2026 and carryover of 16 FTE's from 2025, and an increase, in this line item, for converting some consulting positions to employee positions (with a corresponding offset in Professional Fees & Consulting); an increase also resulted from the drop in the employee vacancy rate from 6.0% to 5.0% based on projected hiring; partially offsetting these increases were reductions as a result of lower salary rates and related incentive compensation due to employee turnover and retirements
- ***Burden (\$3.9M or 9.9%)*** – Increases for payroll taxes related to noted salary increases including for the additional 34.5 full-time equivalent positions funded in 2026; also contributing to increased expenses is higher employee benefits including those for medical trend (budgeted at 15% increase), and defined contribution and 401K (match) plans due to both higher salaries and increased participants



Operating Budget Details - Budget Categories *(cont.)*

- Professional Fees & Consulting (\$0.7M or 2.5%) – Professional Fees & Consulting increases include those for Information Technology and System Planning support for resource adequacy and capacity market modeling, which is essential to the redesign of the capacity market under the Capacity Auction Reforms project, a placeholder for Asset Condition Review work, support in Advanced Technology Solutions and Market Development for Capacity Auction Reforms work including gas modeling and other analysis, for work on tariff required Net CONE (Cost of New Entry) recalculation, consulting support to provide research and recommend and implement security best practices for ISO Management in the current environment, and increase in regulatory counsel fees for FERC Order filings and responses to supplement ISO-NE Legal staff; partially offsetting the increases were reductions for 2025 studies or other non-recurring work including completion of regional study work with PJM and NYISO for 1,200MW single source contingency limit appropriateness and to determine upgrades required to support 2,000MW single source limit, for transmission planning system assessment under NERC Transmission Planning Standard TPL-001, funding of Medium-Term Energy Adequacy related work, and various other reductions; this line item also included a decrease related to converting some consulting positions to employee positions (with a corresponding offset in Salaries and Burden lines).
- Building Services (\$0.4M or 10.8%) - Increased costs due to cyclical maintenance items that are due for completion in 2026, higher utility expense largely for delivery service fees at our Windsor facility, and inflationary and other small increases across multiple line items
- Rents/Leases (\$0.2M or 11.7%) – Increase for leasing tranche of blade servers for data center replacements that is more favorable than buying and is part of a multi-year data center refresh
- Network Operations (\$0.4M or 8.9%) – Increases for transition of communication lines to new technologies, for data redundancy, and for inflationary and communication line increases

Operating Budget Details - Budget Categories (cont.)

- Computer Services (\$4.7M or 15.0%) – increases for: cyber security (security log management, network detection and response tool, zero trust access and protection, and cloud monitoring); network collaboration software; computing and storage capacity application; licensing for System Planning and Operations applications; for nGEM vendor support with the Real-Time Market Clearing Engine application that is higher cost than the legacy Real-Time application; costs under NERC CIP Synchrophasor compliance adoption; and inflationary and vendor increases across our portfolio of computer service products
- Board of Director Expense (\$0.1M or 5.5%) – Increase in Board of Director annual retainer fees
- Meetings & Related Expenses (\$0.1M or 9.1%) – Meetings & related expense increase due to higher travel costs, travel for offsite training of additional staff and for new platforms and tools, and to attend participant and industry meetings and conferences
- Other Expense (\$0.3M or 12.8%) – this line includes Data Services & Office Expense increases including data services subscriptions for Market Monitoring fuel price and forecast utilization, for vendor third party risk assessment, and participant credit rating services
- Depreciation Expense (\$1.3M or 3.5%) – Depreciation expense increases primarily driven by 2025 or 2026 project implementations including nGEM Real-Time Market Clearing Engine, Enterprise Resource Planning System Replacement, CIP Electronic Security Perimeter Redesign Phase II, and FERC Order 841; partially offsetting increases in this line item are projects that will be fully depreciated in 2025 or 2026 including nGEM Market Clearing Engine Implementation, nGEM Software Development Parts I and II, nGEM Hardware Phase II, and Security Information & Event Management Log Monitoring Replacement
- NPCC and NERC Dues (\$0.7M or 7.6%) – Increases for both Northeast Power Coordinating Council and North American Electric Reliability Corporation dues assessed to the ISO

Operating Budget Details - Budget Categories *(cont.)*

ISO True-Up Mechanism

Description of True-Up Mechanism:

As set forth in Section IV.A.2.2 of the ISO's Tariff, the 2026 revenue requirement will include an adjustment for deviations between actual collections and expenses for calendar year 2024. In general, the amount of the true-up is added to (in the case of a revenue shortfall) or subtracted from (in the case of a revenue over-recovery) the ISO's total estimated budgeted amounts for the upcoming budget year.

The \$15.6 million true-up amount, that is decreasing the 2026 revenue requirement, is based on the following:

The final 2024 revenue requirement was an over-collection of \$15.6 million, which will decrease the 2026 requirement. The over-collection resulted from higher collections in addition to lower expenses. Specifically, 2024 collections under Section IV.A of the ISO-NE tariff were \$1.0M above what was included in the 2024 budget/tariff filing, while expenses were \$14.6 lower than budgeted. Please see the next slide for further detail and a reconciliation making up the \$15.6 million over-collection.

Operating Budget Details - Budget Categories *(cont.)*

The following is a reconciliation of the \$15.6 million true-up amount, that is decreasing the 2026 revenue requirement (\$ in thousands):

2024 Revenue Requirement True-Up Reconciliation - ISO New England Inc.
(Dollars in thousands)

	\$ Amounts (credits are savings)	Totals (credits are savings)
<u>Spending Variances (Dollars in thousands):</u>		
Contingencies:		
Board Contingency	\$ (700.0)	
CEO Emerging Work Allowance	<u>\$ (2,000.0)</u>	
Net Savings in Contingencies		\$ (2,700.0)
Salaries and Overheads - Lower than budgeted spending includes for vacancy with a partial offset due to approval for early hiring of some 2025 budgeted positions, for the timing of equity and promotion increases including impact of implementing compensation survey data changes and for merit and promotional funds due to a correction in the allocation of funds to capital development/reimbursable studies, from lower employee pay rates than previous incumbents, for higher internal capital development, for lower Post-Retirement Medical and Dental Contributions based on actuarial updates, and reduced medical due to employee plan elections for 2024.		\$ (4,090.5)
Professional Fees and Consultants - Significant decreases include the reduction of funds for prompt/seasonal capacity market assessment work due to this being accelerated into the second half of 2023, removal of FCM parameter updates and other auction related costs due to the FERC approved two-year auction delay, higher vacancy for consultants augmenting Information Technology staff, and reductions for several System Planning studies due to quotes coming in less than estimated. Increases, partially offsetting the decreases, include the addition of a northeast gas study done in coordination with the Northeast Power Coordinating Council, a study to establish "facility out" transfer capability for operation of the Northern New England power system with the planned New England Clean Energy Connect (NECEC) project, ESG Reporting work that started later than expected in 2023 and carried over to 2024, for consultants to assist with the relocation of some ISO staff from Holyoke to our Windsor campus, funding for a Market & Credit risk consulting, and funding for FinOps managed services that will monitor our cloud operations to increase cloud efficiency in a cost effective manner.		\$ (3,745.8)
Revenues, Other Income - predominantly due to increased interest income as a result of higher than budgeted rates on operating and settlement funds, and interest earned on \$25M inflow from the issuance of the \$75M in private placement debt. The ISO took partial funding of the private placement debt in August because it locked in a rate for the debt that was lower than the cost to borrow on the working capital line. These funds were used to pay down the line of credit and remaining funds were invested in a money market account. Additionally, the Company anticipated a large withdrawal of monies from System Planning deposits as a result of the changes within the FERC Order 2023 but a delay in issuing that order has resulted in higher cash flow and ability to invest those monies into a money market account.		\$ (1,446.8)
Computer Services - decreased expenses include the non-renewal for end-of-life products no longer being utilized and/or being replaced including various data domain, storage hardware, backup analytics, and infrastructure items; savings based on actual quotes on renewals across several products; reduction of as-needed licensing; and savings from an enterprise agreement due to currently not deploying all products available. The reduced costs were partially offset by an increase due to new software maintenance from the 2023 capital purchase of firewall maintenance under the CIP Electronic Security Perimeter Redesign Phase II project; and Amazon Cloud resources due to run rates.		\$ (1,257.6)
Depreciation Expense - reductions due primarily for adjustments in capital project timelines and lower hardware purchases in 2023. Several projects anticipated to be completed and placed into service in 2024 were delayed or restructured into earlier planning or chartered phases, deferring the associated depreciation expense to future periods		\$ (916.2)
Legal Professional Fees - reductions are the result of lower regulatory counsel support due to less than budgeted need to use outside resources		\$ (638.0)
Net Change across all other Expense Lines: Includes line items with variances below \$500 (thousand)	<u>\$ 235.9</u>	
Net Savings in Expenses:		<u>\$(14,559.0)</u>
Tariff Collections (over collection): Tariff collections came in 0.4% above plan, due to small variances across load related factors and energy transaction units		<u>\$ (1,042.7)</u>
Total 2024 True-Up		<u>\$(15,601.7)</u>



Operating Budget Details

Professional Fees

(See next slides for details)

	(\$ in Millions)	
	<u>2026</u>	<u>2025</u>
Corporate Center	\$ 7.7	\$ 6.6
Legal	3.8	3.2
Operations	17.0	17.9
Total Professional Fees	\$ 28.5	\$ 27.8



Operating Budget Details

Professional Fees – Corporate Center

	(\$ in Millions)	
	<u>2026</u>	<u>2025</u>
Corporate Center	\$ 7.7	\$ 6.6
Legal	3.8	3.2
Operations	17.0	17.9
Total Professional Fees	\$ 28.5	\$ 27.8

	(\$ in Millions)	
	<u>2026</u>	<u>2025</u>
Benefits and Hiring		
Recruiter Fees and Background Checks	\$ 0.6	\$ 0.4
Relocation	0.4	0.7
Temp Help	0.3	0.3
Compensation Surveys	0.5	0.4
Other Consulting for Pension & Benefits	1.6	1.4
Total Benefits and Hiring	3.4	3.2
Financial Support (Payroll processing, Temp Help, etc.)	0.5	0.4
Security Services	0.5	0.0
Audits (i.e., SOC 1, financial statement, IT systems, federated authentication)	1.5	1.3
Corporate Communications (see following slide)	0.2	0.2
External Affairs (see following slide)	0.5	0.5
Market and Credit Risk Support (Financial Assurance)	0.4	0.4
Strategy, Risk and Operation Compliance (Professional Consulting Support for the Governance/Risk/Compliance tool, Record Storage and Destruction, and Procedure Writing)	0.2	0.2
Market Monitoring and Mitigation - Capacity Auction Workbook Development, Application Support, and Energy Market Consultation	0.6	0.4
Total Included in Budget	\$ 7.7	\$ 6.6

Operating Budget Details

Professional Fees – External Affairs/Corporate Communications

	(\$ in Millions)	
	<u>2026</u>	<u>2025</u>
Corporate Center	\$ 7.7	\$ 6.6
Legal	3.8	3.2
Operations	17.0	17.9
Total Professional Fees	\$ 28.5	\$ 27.8

	(\$ in Millions)	
	<u>2026</u>	<u>2025</u>
State Educational Outreach / Legislative Monitoring	\$ 0.3	\$ 0.3
Media Relations / General Support	0.2	0.2
Federal Educational Outreach / Legislative Monitoring	0.1	0.1
Total Included in Budget	\$ 0.7	\$ 0.7

Operating Budget Details

Professional Fees – Legal

	(\$ in Millions)	
	2026	2025
Corporate Center	\$ 7.7	\$ 6.6
Legal	3.8	3.2
Operations	17.0	17.9
Total Professional Fees	\$ 28.5	\$ 27.8

	(\$ in Millions)	
	<u>2026</u>	<u>2025</u>
Independent Market Advisor	\$ 1.4	\$ 1.4
Market Rule and Tariff/OATT Proceedings	1.9	1.4
Labor Matters	0.1	0.1
Other	0.4	0.4
Total Included in Budget	\$ 3.8	\$ 3.2

Operating Budget Details

Professional Fees – Operations

	(\$ in Millions)	
	<u>2026</u>	<u>2025</u>
Corporate Center	\$ 7.7	\$ 6.6
Legal	3.8	3.2
Operations	17.0	17.9
Total Professional Fees	\$ 28.5	\$ 27.8

	(\$ in Millions)	
	<u>2026</u>	<u>2025</u>
Information Technology (SMS/SAS/EMS/CAMS Support, Network Model and Model-On-Demand, Energy Management System Support, Software License Management & Reporting Support, Website Support, Cyber Security and Vulnerability Testing, Desktop and Database Services Support, RTU and NX9/NX12 Network Model Support, and other Temp Help)	\$ 10.5	\$ 10.1
FCA and FCM Analysis Support	0.2	0.2
Asset Condition Reviewer, Transmission Planning / Non-Transmission Alternatives, Interconnection Studies, Short Circuit Analysis, Integrating Emerging Technologies and Distributed Generation into Load Forecasting, and Model Administration Support	1.5	3.4
Market Development for Net CONE (Cost of New Entry) recalculation and Project Management	1.9	1.3
Capacity Auction Reforms	0.9	1.2
Project Management (Impact Analysis, R&D, Project Work and Initiatives)	1.8	1.5
System Operations Support (New England Clean Energy Connect Project)	0.0	0.3
Participant Support and Training	0.1	0.1
Total Included in Budget	\$ 17.0	\$ 17.9

Operating Budget Detail

2026 Budget for Board Compensation

2026 Original Budget (1)

• Annual retainers for Board Committee membership (2) (\$125K/Board Member)	\$1.1M
• Annual retainers for Chair positions (2) (\$40K Chairman and \$10K Committee Chair)	\$0.4M
Total Board Compensation (3)	<u>\$1.5M</u>
• Meetings and Travel Expenses	<u>\$0.2M</u>
Total Board of Directors Expenses	<u><u>\$1.7M</u></u>

- (1) The budget contemplates 9 members for 2026 not including the CEO who is the 10th member of the Board
- (2) Effective Feb 15, 2024, the Board of Directors compensation structure has transitioned from a meeting fee structure to a retainer only structure. The revised policy eliminates all references to meeting fees and now specifies the annual retainers for Board Committee membership and Chair positions
- (3) Board Compensations are evaluated using independent surveys, similar to process used for determining executive compensation

APPENDIX 2: COMPENSATION



Process for Establishing Salary Budget Increases

- ISO-NE contracts with Mercer, an independent compensation consulting firm to provide job specific benchmark data to inform our market competitiveness. This data provides insight into median pay and relative pay ranges for similar jobs in the national market enabling us to evaluate our salaries relative to companies with whom we compete for talent
 - Initial evaluation complete in 2025 with planned annual updates
- ISO-NE reviews comprehensive salary budget planning data compiled by nationally-recognized compensation consulting firms
 - These surveys are typically published later in the fall and reflect planned salary budget increases of over 2,300 employers, including more than 100 utility companies
- ISO-NE will also review expected salary increases of other ISOs/RTOs

Process for Establishing Salary Budget Increases *(cont.)*

- Merit Increases
 - Merit pools are the percentage of total employee salaries that companies intend to use for broad-based salary increases in the coming year
 - At ISO-NE, this pool funds the annual performance-based increases for eligible non-bargaining unit employees
 - Individual percentage increases vary based on employees' performance, with some receiving less than and some receiving more than the budget percentage
- Promotion and Adjustment Increases
 - Promotion and adjustment equity pools are used to fund promotions and base salary adjustments required to attract and retain talent throughout the year
 - At ISO-NE, this pool funds all promotions and any required salary adjustments required to remain competitive so that we can attract and retain the talent required to achieve our objectives

Process for Establishing Salary Budget Increases *(cont.)*

- In 2022, to address competitive challenges related to the grid transition and evolving resource mix, particularly those specified on Slides 96 and 97, ISO engaged a compensation consulting firm to conduct more discrete, 1-for-1 job-specific benchmarking to establish competitive rates of pay for our highly skilled and in-demand workforce
- Supplementing the salary budget survey data with job-specific benchmarking allows us to better ensure that we are providing competitive rates of pay to our current employees, as well as attracting the necessary talent to be successful in the future
- Initial job specific benchmarking will be complete in 2025 and will be updated each year going forward to ensure our salary budget supports our ability to maintain competitive rates of pay
- A summary of the survey results and managements' recommendation is presented to the Compensation and Human Resources Committee of the Board of Directors for approval

Competitive Challenges

- As described in industry literature and shared with NEPOOL in the past, ISO-NE and utility employers face significant challenges associated with the retirement of a seasoned, technical workforce
 - Approximately 19% of the ISO-NE workforce is retirement-eligible
- The significant increase in demand for System Planning Engineers as a result of continued high levels of regional and interregional transmission expansion planning, large volumes of new generation and data center interconnection activity and overall resource adequacy concerns, has influenced salary requirements for these roles requiring higher pay to attract and retain this talent
- Addressing the grid transition and evolving resource mix is impacting all aspects of industry nationwide, leading to a tight labor market and inflation on new and existing employees' compensation expectations



Competitive Challenges *(cont.)*

- One third of ISO-NE's workforce is comprised of IT professionals who are in increasingly high demand
 - Software development and cyber security skills are the most sought after as organizations invest in newer, faster technology and mobile networks; compensation for these professionals is escalating
- This competition will only intensify as the region becomes increasingly involved with new and emerging technologies
 - More employees, with different skill sets will be needed to address the volume of market design changes and operational/planning complexities
 - Major investments in new technologies to create and support the core business applications and processes, including increased computational capacity to deal with increased grid complexity, will require the requisite staff to complete this work
- For all of these reasons, it is essential that we maintain competitive compensation; doing so is a cost-effective measure that will help prevent additional turnover and ensure the Company does not experience vacancies that will hinder implementation of major initiatives or impact efficient operation of its systems and markets

Competitive Challenges *(cont.)*

- With our current job specific competitive position for many specialized roles still lagging the market median, the limited national survey information currently available, and insights from other ISO's, we are currently budgeting 4.0% for merit and 1.5% for promotions and adjustments for 2026

Merit and Promotion/ Adjustment History	2022	2023	2024	2025	2026
Merit	3.0%	4.0%	4.0%	4.0%	4.0%
Promotion/Adjustments	0.5%	1.75%	4.0%	2.0%	1.5%
Total	3.5%	5.75%	8.0%	6.0%	5.5%

Executive Compensation

- As a tax-exempt organization, ISO-NE's Board of Directors is required by the Internal Revenue Code Section 4958 to ensure that executive compensation falls within a reasonable range of compensation practices among functionally comparable positions at similarly-situated organizations, both taxable and tax-exempt
- ISO-NE's Board of Directors contracts with Mercer, an independent compensation consulting firm, to study each executive's total compensation for "reasonableness"
 - The analysis includes examining data from other ISOs, utilities, and as appropriate, the general industry
 - Considerations such as the complexities of the markets, the significance of maintaining the grid, and the multi-billion dollars in settlements handled by ISO-NE are also factored into the review
 - Following its analysis, Mercer issues a Reasonableness Opinion
- The Mercer Reasonableness Opinion has consistently concluded that ISO-NE's executive compensation is within the appropriate competitive range

Executive Compensation *(cont.)*

- The Compensation and Human Resources Committee of the Board of Directors and the full Board of Directors review the Mercer Reasonableness Opinion and use it to finalize their decisions regarding each executive's compensation
- Executive compensation is reported in ISO-NE's annually filed IRS Form 990
 - This public filing is required for all tax-exempt companies and depicts officer compensation in detail
 - In addition to annual compensation, the data includes incremental increases in accrued pension benefits and other potential future compensation not yet received by the executive
- 2026 Budget for Executive Salaries \$5.4M
 - Executive Salaries comprise the base salaries of the officers on the IRS Form 990



Pension and Defined Contribution Benefit Plans in 2026

- Defined Contribution Pension Plan: In 2014, ISO-NE changed its retirement plan offering from a Defined Benefit Pension Plan (Pension Plan) to a Defined Contribution Pension Plan (DC Plan) for employees hired after 12/31/13 and closed its Pension Plan to new participants; the DC Plan provides predictable cost and reduced balance sheet liability, with no investment risk and minimal cost volatility for ISO-NE



Pension and Defined Contribution Benefit Plans in 2026 *(cont.)*

- Defined Benefit Pension Plan: Consistent with the 10-year approach adopted in 2016, the 2026 Pension Plan expense will follow a level funding approach, rather than including the expense amount as calculated under FASB's Compensation – Retirement Benefits (ASC Topic 715)
 - The level funding approach will reduce the year over year volatility of the Pension Plan expense while still providing reasonable assurance that the Pension Plan is sufficiently funded
 - The level funding amount for the 2026 Pension Plan is unchanged at the \$10,000,000 level
 - In 2024 ISO's actuaries, Segal Consulting performed a detailed Asset Liability Modeling ("ALM") study to refresh the original analysis with current economic conditions; the study results confirmed the Company's level funding approach and the amount of level of funding was still appropriate
 - The Pension Plan expense that is included in the 2026 budget is \$10,000,000 compared to the projected FAS expense of \$5,300,000

Pension and Defined Contribution Benefit Plans in 2026 *(cont.)*

The table below identifies the number of active ISO-NE employees, at each year-end, that are included in the Defined Benefit Pension Plan and the Defined Contribution Plan:

Date	Defined Benefit Pension Plan	Defined Contribution Plan
12/31/2022	306	286
12/31/2023	287	339
12/31/2024	275	394

Note: The Defined Benefit Pension Plan was closed to employees hired or rehired after December 31, 2013.



Postretirement Medical Benefit Plan in 2026

- In 2014 ISO-NE looked at making changes to its benefit plan offerings; to better align with the industry, the decision was made to close the Postretirement Benefit Plan to new hires, effective January 2016; in addition, a modification was made to the criteria for when this benefit could start for those employees in the plan prior to January 1, 2016; the age and years of service requirements were increased, thereby reducing future benefits that could be paid
- Consistent with previous years' budgets, ISO-NE's actuaries prepared estimated 2026 Financial Accounting Standards (FAS) Expense for the Postretirement Benefit Plan
- Actuaries utilized the FTSE Pension Discount curve, and reflected the change in discount rates as of May 31, 2025 to estimate the discount rate used in the calculation of the Postretirement Benefit Plan; current rates approximate the forward curve rates
 - Discount Rates Selected Postretirement Benefit Plan 5.45%
 - Salary Scale assumption (weighted Avg.) 3.00%
 - Projected 2026 annual earnings rate 6.00% (approximately)
- The calculated FAS expense amount for the Postretirement Benefit Plan of \$883,000 is included in the 2026 budget

Operating Budget Details

Staffing - Salary and Benefits Costs

The \$15.5M increase in salary and burden costs is driven by the following factors:

2026 Merit & Promotion - (budgeted 5.5% increase (4.0% merit and 1.5% promotion/adjustments), which will be finalized by the Board Compensation and Human Resources Committee)	\$	6.0
Salary Impact of Funding for 34.5 Additional FTEs ⁽¹⁾		7.9
Decrease in Vacancy Rate (from 6.0% to 5.0%)		1.6
Salary Rate Changes		(2.5)
Other Salary Changes including conversion of former consultant positions to FTEs		0.9
Total Salary Impact	\$	13.9
Change in Employee Benefit Costs	\$	1.5
Total Salary and Burden Increase	\$	15.5

(1) The 2026 budget includes the recruitment of 25 additional positions with funding for 18.5 full-time equivalents, in addition to the carryover of deferred funding of 16 positions from the 2025 budget.

Operating Budget Details

Staffing – Authorized, Budgeted, and Actual Headcount

The following is historical full-time equivalent (FTE) headcount information:

<u>Year</u>	<u>Authorized total FTE's</u>	<u>Budgeted FTEs</u>	<u>Actual FTEs (1)</u>	<u>Budgeted Vacancy %</u>	<u>Actual Average Vacancy</u>
2016	603.5	585.5	572.5	3.0%	3.8%
2017	603.5	585.5	583.5	3.0%	4.1%
2018	608.0	587.5	584.5	3.4%	3.9%
2019	608.0	583.5	587.0	4.0%	3.5%
2020	608.0	583.5	577.5	4.0%	3.8%
2021	608.0	583.5	573.5	4.0%	4.1%
2022	622.5	593.0	581.5	4.0%	5.8%
2023	654.5	614.5	625.5	5.0%	4.9%
2024	698.5	644.5	670.5	5.0%	3.6%
2025	746.5	688.5	707.5	6.0%	5.4%
2026 ^{(2) (3)}	777.5	733.5	N/A	5.0%	N/A

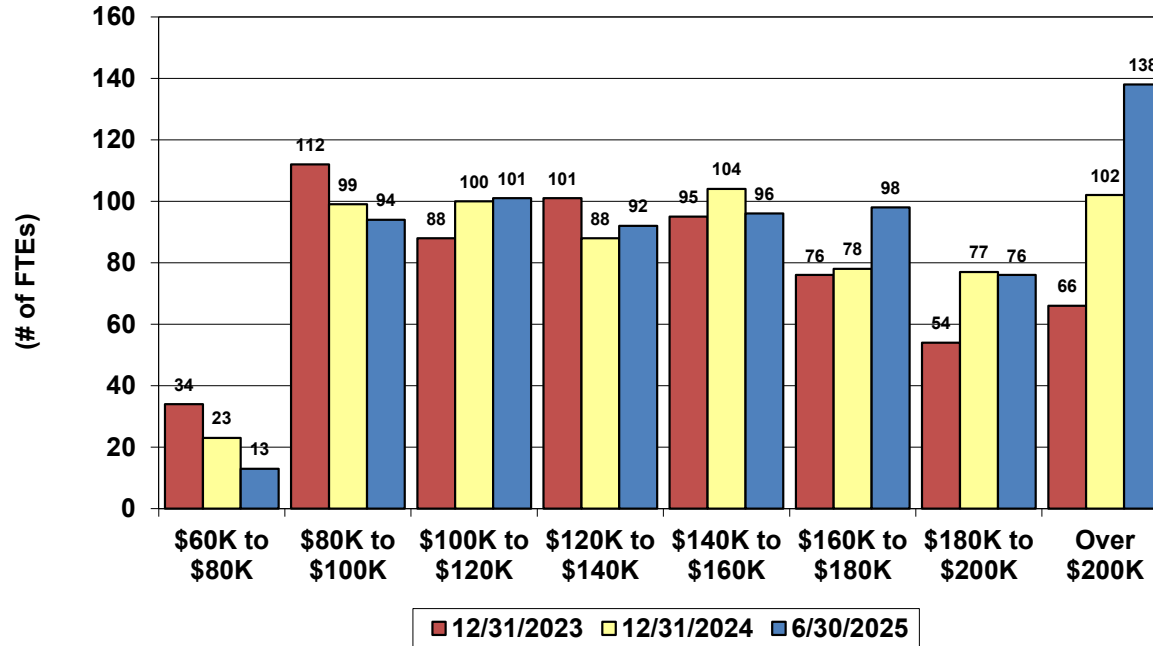
(1) Actual FTEs is the number as of December 31st for each year with the exception of 2025 which represents the number as of June 30th

(2) The 2026 budget includes the recruitment of 25 additional positions, with funding for 18.5 full-time equivalents with onboarding expected to occur throughout the year. All other existing positions have been budgeted with an estimated 5.0% vacancy.

(3) The 2026 budget includes the conversion of 6 FTE consultant positions to ISO-NE employees (FTE's) with no overall \$ impact on the 2026 budget (compared to 2025)

Operating Budget Details

Staffing – Number of Employees by Salary Band



Operating Budget Details

Staffing - Salary and Benefits Cost Comparison

The following provides actual Salary and Benefit related costs compared to budget for the two most recent completed years, 2024 and 2023, by component (\$ in Thousands):

<u>Description</u>	2024			2023		
	Actual Expense	Approved Budget	Incr/(Dec)	Actual Expense	Approved Budget	Incr/(Dec)
Salaries and Wages - Base	\$ 96,767.0	\$ 100,893.7	\$ (4,126.7)	\$ 85,725.0	\$ 85,304.6	\$ 420.4
Salaries and Wages - Overtime	3,367.9	2,763.5	604.4	3,210.5	2,662.6	547.9
Salaries and Wages - Incentive/Bonus	18,680.2	18,482.8	197.4	15,389.0	14,224.8	1,164.2
Employee Benefits - Pension ⁽¹⁾	12,943.5	12,117.3	826.2	11,905.2	11,149.2	756.0
Employee Benefits - Post-Ret Benefits	614.0	961.4	(347.4)	739.2	927.8	(188.6)
Employee Benefits - Health Insurance	8,787.9	8,931.3	(143.4)	8,468.3	8,473.4	(5.1)
Employee Benefits - Dental Insurance	540.5	537.1	3.4	523.6	508.5	15.0
Employee Benefits - 401(K) Match	3,977.5	4,079.3	(101.8)	3,342.4	3,567.0	(224.6)
Salary Burden - Payroll Taxes	7,847.1	8,714.7	(867.7)	7,346.4	7,205.8	140.7
Other Benefit/Burden <\$200K	592.4	727.8	(135.4)	667.9	678.4	(10.6)
Total Salaries & Burden Expense	\$ 154,118.0	\$ 158,209.0	\$ (4,090.9)	\$ 137,317.5	\$ 134,702.1	\$ 2,615.3

(1) Pension costs include funding for both the Defined Benefit and Defined Contribution plans.

APPENDIX 3: 2024 DELIVERABLES AND SELECT METRICS



ISO Tracks Metrics to Monitor Progress and Efficiency in Upholding its Regional Responsibilities

- To carry out the ISO's mission and keep track on its strategic goals, the organization tracks a number of metrics to gauge progress; those metrics are listed in the subsequent slides
- ISO-NE Five Strategic Goals:
 - Responsive Market Designs
 - Progress and Innovation
 - Operational Excellence
 - Stakeholder Engagement
 - Attract, Develop, and Retain Talent



Mission Statement:

Through collaboration and innovation, ISO New England plans the transmission system, administers the region's wholesale markets, and operates the power system to ensure reliable and competitively priced wholesale electricity

Delivering Market Initiatives to Address the Changing Resource Mix – Responsive Market Designs

These 2024 deliverables address the clean energy and balancing resources pillars

Capacity Auction Reforms (CAR)

- Successfully pivoted to secure stakeholder support for significant capacity market reforms to align with the evolving resource mix
 - Filed capacity market structure proposals with the Commission in April, with a focus on transitioning to a prompt, seasonally-based market
 - Secured broad support for delaying the forward capacity auction by two years (approved in May)
 - Completed substantial internal work, including inter-departmental task teams, GE contracting, and modeling system-wide gas supply constraints for winter
- Conducted five months of stakeholder discussions, ensuring key elements are included in the 2028 auction design
- **2025:** Plan to Complete prompt and deactivation design for CAR – Including final tariff review and vote

Ancillary Services

- Advanced Day-ahead Ancillary Services Initiative (DASI), completing factory-acceptance testing and ongoing automated testing for MCE; Filed and received approval for Tariff changes to support DASI's implementation
- **2025:** Commenced implementation of DASI and begin assessment of further market reforms to support flexible reserves for those resources that can respond to operational uncertainty and higher ramp rates

2024 Initiatives to Enhance the ISO's Ability to Integrate Emerging Grid Technologies – Progress and Innovation

These 2024 deliverables address the clean energy and balancing resources pillars

Real-Time Market Clearing Engine (RT MCE)

- Delivered the preliminary RT MCE as part of the Next Generation Electricity Market (nGEM) initiative
 - In 2023, implemented nGEM Day Ahead Market Clearing Engine (MCE) as a critical step in transitioning the market clearing system from legacy to modern technology
 - In 2024, GE delivered a stand-alone version of RT MCE for initial debugging and testing, which was later integrated with Market Database and Market Operator Interface.
 - The RT MCE will support the ISO's Real-Time Unit Commitment (RTUC) mode and provide a foundation for final deployment and integration by the end of 2024

Electromagnetic Transient (EMT) Modeling for Inverter-Based Resources (IBRs)

- Developed a guideline for the EMT modeling process and model repository to facilitate reliable integration of inverter-based resources (IBRs) into the grid

EMT Modeling for IBRs *Cont'd*

- The guideline outlines best practices for conducting EMT studies, especially for generation interconnections and operational analyses
- Focused on the need for EMT studies due to the complex controls of IBRs and their reliability challenges
- System Planning is also developing a system to collaboratively manage EMT model data throughout the lifecycle of IBR projects, involving Generator Owners, Transmission Owners, and ISO Staff
- **2025:** Integrating electromagnetic transient (EMT) tools into operational analyses to better account for storage, solar & wind facilities

Improving Operational Efficiency

Improving the ISO's technology infrastructure to support the changing resource mix and ensuring compliance with regulatory mandates

Infrastructure/Compliance and Regulatory Improvements

- Sandbox Installation for Order 881 Compliance
 - **2025:** Completed the installation of the "Limit Exchange Portal" for implementing ambient-adjusted ratings as required by Order 881 for transmission system operation
- Assessment of Tie-Line Benefits Methodology
 - **2025:** Completed an assessment of the current tie-line benefits methodology, concluding that no changes to the existing methodology were necessary
- Successfully completed the refresh of foundational network infrastructure supporting enterprise and market IT and business functions

Cloud Computing and Migration to MS 365

- Completed a Cloud Transformation project focused on Office 365 adoption and cloud desktops:
 - **2025:** Delivered the implementation design for Office 365 features, with the pilot phase initiated for cloud desktops
 - Engaged in migration efforts for technologies like Active Directory, Exchange, SharePoint, and network file storage to a centralized cloud offering, reducing infrastructure costs and improving employee productivity
- Microsoft 365 Service Adoption Project
 - Including integration of new cybersecurity tools
- Executed a pilot to explore the viability of using cloud virtual desktops

Delivering Increased Reliability to ISO Stakeholders

2024 deliverables focused on improving energy adequacy, enhancing the ability to manage extreme weather events, and increasing transparency in energy reliability assessments across regional systems

Interconnection Queue and Energy Adequacy

- Order 2023 Compliance: addressed the interconnection queue backlog and filed rules for extended term/longer-term transmission planning as part of Order 2023 compliance
 - **2025:** Implementing Order 2023 to streamline interconnection queue
- Energy Adequacy Promotion
 - Led efforts within NERC to develop a new standard for Energy Reliability Assessments, improving transparency regarding energy adequacy risks across neighboring areas
 - Supported NPCC's New England/New York Gas Electric Study, providing PEAT-based studies to inform the analysis
 - Implemented the second year of the Inventoried Energy Program, contributing to efforts aimed at ensuring reliable energy supply amidst decreasing reserve margins and increasing intermittent resources
 - **2025:** Evaluate Potential Tie Benefits Winter Modeling Improvements
- Regional Energy Shortfall Threshold (REST) Initiative
 - Completed the work on defining a "regional energy shortfall threshold" to assess energy adequacy during extreme weather
 - Developed dual metrics for REST, focused on both the magnitude and duration of energy shortfalls, using a "conditional expectation" approach to better estimate high-impact tail risks
 - Estimated a "manageable" energy shortfall of 245,000 MWh over 72 hours during extreme weather and used this as a reference point for defining minimum manageable metrics
- **2025:** Defining an acceptable REST with stakeholders
- **2025:** First Competitive Solicitation for Longer-Term Transmission Planning (LTP) Solution

Key Metrics – Responsive Market Designs

Goal: Advance the competitive wholesale markets to support the investment and new services required for a reliable clean energy transition

- Wholesale energy market is structurally competitive
 - Operating reserve margins remain relatively high
 - Residual Supply Index (RSI) scores meet expectations
 - Energy market mitigation is relatively infrequent
 - Markups in RT and DA markets were close to zero or negative
 - In 2024, withheld economic capacity relatively low
- Wholesale capacity market structurally competitive
 - RSI and Pivotal Supplier Test scores: no pivotal suppliers
 - Overall competitiveness increased with decrease in SENE zonal load forecast & increase in import capability limit

Key Metrics – Progress and Innovation

Goal: Expand capabilities to support increasing grid complexity brought about by new technologies and changes to supply mix and customer use

- Improve day-ahead load forecasting accuracy
 - Average accuracy for peak hours of the month meets ISO's standards, but average accuracy across all hours of month does not. See Monthly COO report to NEPOOL for detail
- Enhance programs to incorporate state policy objectives
 - Reflect state energy efficiency goals; PV and electrification growth in long-term forecasting methodology. See NEPOOL Load Forecast Committee & Planning Committee working groups
 - In 2025, ISO began implementing a project to enhance longer-term transmission planning program
- Interconnect and register new resources to meet FERC established timeframes
 - Order 2023 Reporting metrics (to be implemented)
 - Streamlined DER process through transferring all distribution system interconnection to state processes

Key Metrics – Operational Excellence

Goal: Continuously improve operations and processes, with a focus on prioritizing project scope and implementation, business results, and continuity of reliable operations

- Maintain NERC Standards compliance
 - Operate bulk electric system reliability, e.g., within frequency limits; to avoid instability, cascading outages or uncontrolled separation
 - Maintain accurate planning models and update planning studies
 - Oversee facility interconnection studies
- Accurately settle markets with no errors
 - Administer hourly market operations with minimal LMP corrections and zero provisional DAM results adjustments
 - Maintain IT uptime and ensure business continuity
- Continuous assessments of cyber security threats and risks against CIP Standards; NIST Framework; DHS Known Exploited Vulnerabilities; phishing attempts
- Maintain accurate quarterly budget forecasts, comparing projected costs/revenues against actual financial results

Key Metrics – Stakeholder Engagement

Goal: 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

- Address public policy concerns
 - Assess regional policy requests
 - Administer stakeholder prioritization process
 - Hired for position to focus on environmental policies and community outreach in 2024
- Annually survey stakeholder satisfaction with ISO services
 - Overall service quality
 - Market Participant training course satisfaction
- Over past several years, ISO has delivered products responsive to New England States' 2020 Vision and policy initiatives:
 - Request to evaluate clean energy pricing (Pathways report)
 - Updated economic planning study methodology
 - Request to conduct longer-term transmission planning (Future Grid Reliability Study; 2050 transmission study)
 - Enhancement to longer-term transmission planning process
 - Technical support on States' RFP efforts

APPENDIX 4: CYBER SECURITY AND CIP COMPLIANCE HISTORY AND COSTS



Cyber Security and CIP Compliance

- Background

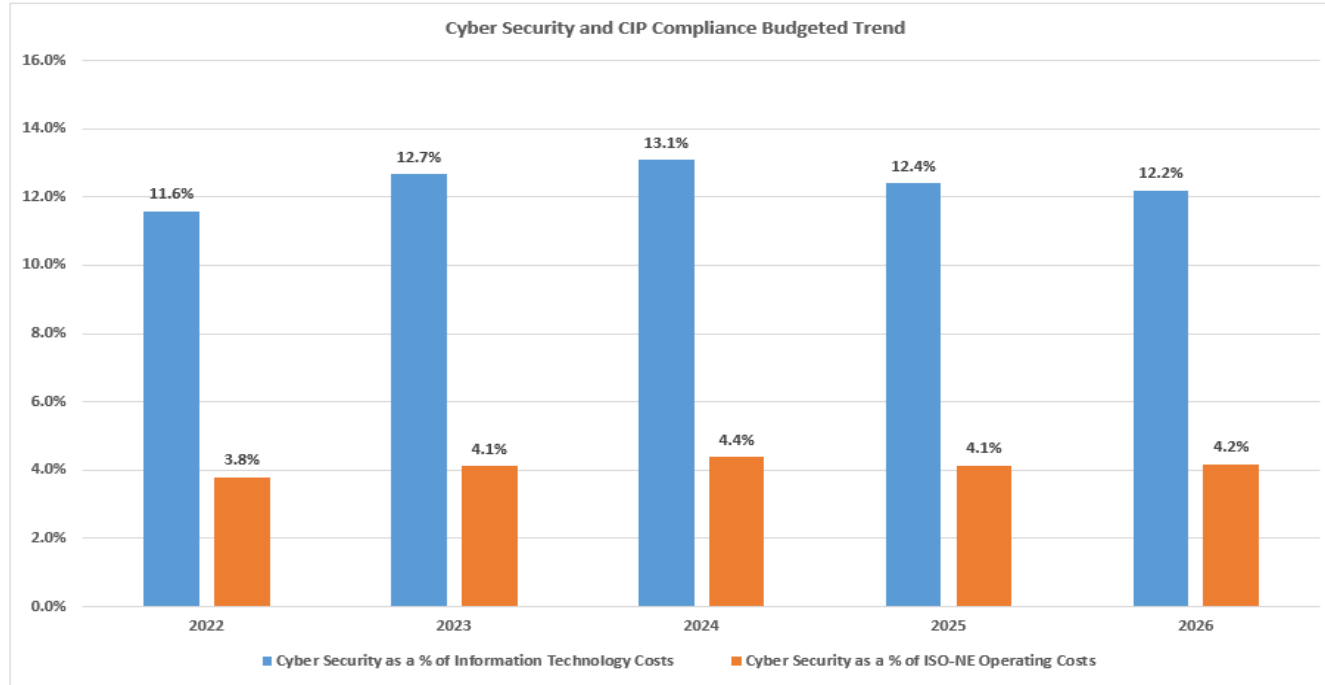
- Information technology has become an indispensable tool for efficiently and reliably operating the increasingly complex regional power system, administering the billion-dollar markets where wholesale electricity is bought and sold in New England, and engaging and collaborating with our stakeholders
- The energy sector faces significant risk of attempted cyber intrusion; ISO-NE is committed to making sure power grid and market operations remain secure and will continue to build on our already extensive process controls, advanced detection and response systems, and redundancy in systems and control centers
- Our Security Operations Center monitors the ISO-NE environment and multiple new state-of-the-art cyber security capabilities were deployed in 2022, including best in class endpoint detection and response, network detection and response, software vulnerability detection, and cyber threat hunting
- A prominent corporate objective requires all ISO-NE employees to participate in annual cyber security training; ISO-NE has tightened security controls for cyber assets and visitors to ISO facilities in compliance with revised NERC CIP cyber security standards
- ISO-NE developed and implemented a third-party cyber security risk management program that includes compliance with CIP-013 related to Supply Chain Cyber Security Risk

Cyber Security and CIP Compliance *(cont.)*

- A CIP and Systems Compliance Operations Group provide day-to-day support of highly complex infrastructure and cybersecurity compliance functions required by North American Electric Reliability Corporation (NERC) Critical Infrastructure Protection (CIP) standards - Version 5
- During 2022 ISO-NE also procured additional software to enhance our capability to visualize, detect, and respond to threats and vulnerabilities from industrial control systems and technology that interfaces with the physical world (e.g., distributed control systems, SCADA); and software to improve ISO-NE's ability to recognize and block phishing attempts, as these attempts have increased exponentially and become more sophisticated in the past several years; additional alerts and automations to increase the reach and productivity of Security Operations Center staff continue to be developed
- During 2023 ISO-NE began to incorporate “immutable” technology that prevents modifications to data written to disk for both enterprise storage applications and system backups providing greater resiliency and protection for ransomware-style attacks; in the same year, ISO-NE deployed a technology framework to identify and fix known vulnerabilities more rapidly and to protect applications from emerging threats
- In June 2024, ISO-NE completed its periodic NERC CIP compliance audit with NPCC resulting in zero potential non-compliance (PNC) items, zero areas of concern (AOC), and four positive observations shared jointly with the Operations review
- In 2025, ISO-NE extended the adoption of “immutable” storage technology to include all servers and workstation backups and even protects active storage for some key services

Cyber Security and CIP Compliance *(cont.)*

To ensure robust cyber security defenses against ongoing sophisticated threats and to ensure compliance with CIP standards, ISO-NE has increasingly invested in these areas which have trended higher of our Information Technology and Overall Operating Expense Budgets



APPENDIX 5: 2026 BUDGET RESOURCES BY FUNCTIONAL AREA



2026 Budget Resources By Functional Area

ISO-NE provides a vast array of services to market participants and the New England region. Slides 124 through 148 include a description of the most significant services by area and provide the costs for Salaries and Burden, Professional Fees, and Computer Services for each area. Below is a reconciliation of the costs for each area and other support costs that make up the 2026 Operating Budget.

<u>Area/Item</u>	<u>Amount</u> <u>in millions</u>	<u>Area/Item</u>	<u>Amount</u> <u>in millions</u>
System Operations & Market Administration	36.8	Rents & Leases	2.4
System Planning	25.2	Network Operations	4.3
Market Development	13.4	Computer Services	36.0
Settlements	7.1	Data Services & Office Expenses (1)	2.5
Information Services	64.0	Insurance Expense	3.8
Program Management, Adv Tech Solutions, and NEPOOL Relations	18.9	Board of Directors Expense	1.7
Market Monitoring & Mitigation	7.4	Meetings & Related Expense	1.8
Legal Services	9.3	Education & Training	1.4
External Affairs and Corporate Communications	6.2	Taxes, Permits, Licenses & Fees (1)	0.3
Compliance, Risk Management, Finance, and Internal Audit	15.6	Interest Expense	3.8
Human Resources	9.8	CEO Emerging Work Allowance and Board Contingency	3.7
CEO and COO and Support Staff	3.4	Interest income, purchase discount, cost center income	(1.7)
Building Services	4.8		
		Total Operating Budget	\$ 281.8

(1) Comprises the \$2.8 million total of *Other Expense* on Slide 80

2026 Budget Resources By Functional Area *(cont.)*

The table below lists full-time equivalent (FTE) headcount by area. The *20XX Budgeted FTEs* represent estimated net headcount by area after the budgeted vacancy % is applied. Actual vacant positions will vary by area.

	2023	2023	Positions	2024	2024	Positions	2025	2025	Positions	2026	2026
	Total	Budgeted	Filled	Total	Budgeted	Filled	Total	Budgeted	Filled	Total	Budgeted
Area	FTEs	FTEs	12/31/2023	FTEs	FTEs	12/31/2024	FTEs	FTEs	6/30/2025	FTEs	FTEs
System Operations & Market Administration	137.0	128.5	134.0	138.0	127.5	135.0	147.0	135.5	146.0	148.0	139.0
System Planning	70.0	65.5	73.0	85.0	78.5	81.0	94.0	87.0	86.0	102.0	96.0
Market Development	29.0	27.0	24.0	33.0	30.5	24.0	35.0	32.5	29.0	35.0	33.0
Settlements	35.0	33.0	33.0	35.0	32.5	35.0	35.0	32.0	35.0	35.0	33.0
Information Services	193.0	181.0	181.0	200.0	185.0	200.0	217.0	200.0	204.0	231.0	219.0
Prog Mgt, Adv Tech Solutions, & NEPOOL Relations	58.5	55.0	54.0	64.5	59.5	61.5	70.5	65.0	68.5	76.5	71.5
Market Monitoring & Mitigation	21.0	19.5	19.0	21.0	19.5	19.0	21.0	19.0	20.0	22.0	21.0
Legal Services	18.0	17.0	18.0	18.0	16.5	17.0	19.0	17.5	19.0	20.0	19.0
Ext Affairs and Corp Comm	21.0	19.5	18.0	23.0	20.5	23.0	25.0	23.0	22.0	24.0	23.0
Compliance, Risk Mgt, Finance & Internal Audit	44.0	41.5	45.0	47.0	43.5	46.0	50.0	46.0	49.0	50.0	48.0
Human Resources	18.0	17.0	17.0	24.0	22.0	19.0	23.0	21.0	19.0	24.0	21.0
CEO and COO Support Staff	5.0	5.0	5.0	5.0	4.5	5.0	5.0	5.0	5.0	5.0	5.0
Building Services	5.0	5.0	5.0	5.0	4.5	5.0	5.0	5.0	5.0	5.0	5.0
Totals	654.5	614.5	626.0	698.5	644.5	670.5	746.5	688.5	707.5	777.5	733.5

Budgeted Vacancy %'s are as follows: 2023 and 2024 is 5.0%; 2025 is 6.0%; 2026 is 5.0%.



2026 Budget Resources By Functional Area (cont.)

The table below lists expense \$'s and full-time equivalent (FTE) amounts for outside consultants by area with Information Services broken out separately for Cyber Security and Compliance. Actual amounts are reflected for 2023 and 2024, current forecasted amounts for 2025, and proposed budget amounts for 2026.

Area	2023		2024		2025		2026	
	Expense	FTE Equiv	Expense	FTE Equiv	Expense	FTE Equiv	Expense	FTE Equiv
\$ amounts in thousands								
System Operations & Market Adm.	\$ 732.2	5.2	\$ 1,176.7	8.1	\$ 250.7	1.7	\$ -	-
System Planning	2,530.4	12.3	3,274.0	15.3	3,181.9	14.3	2,715.4	11.7
Market Development	2,062.3	8.4	1,463.2	5.8	1,294.0	4.9	2,686.9	9.8
Settlements	-	-	-	-	-	-	-	-
Information Services	5,513.4	26.5	6,278.7	29.0	8,772.7	39.0	7,925.6	33.9
Info. Services - Cyber Security	1,724.9	8.3	2,745.1	12.7	3,091.6	13.7	2,580.4	11.0
Prog Mgt, Adv Tech Solutions, & NEPOOL Relations	1,717.2	7.0	1,196.6	4.7	2,799.3	10.5	1,046.5	3.8
Market Monitoring	1,776.1	9.2	1,655.2	8.2	2,260.5	10.8	2,061.0	9.5
Legal Services	956.7	3.5	1,287.9	4.6	1,803.7	6.2	2,377.0	7.8
Ext Affairs & Corp Comm	726.9	3.8	601.5	3.0	610.3	2.9	691.9	3.2
Compl., Risk Mgt, Finance & Int Audit	2,105.1	10.2	2,910.9	13.6	3,215.0	14.5	3,003.9	13.0
Human Resources	2,354.2	9.1	2,283.6	8.4	2,822.6	10.0	3,379.4	11.6
CEO & COO & Support	-	-	-	-	-	-	-	-
Building Services	1.0	-	-	-	-	-	-	-
Total	\$ 22,200.4	103.5	\$ 24,873.4	113.3	\$ 30,102.1	128.4	\$ 28,468.0	115.2

Note: Outside consulting in the capital budget is done per project and not by functional area. Consultant spending on all capital projects totaled \$13,793.6 or approximately 67 FTEs for 2023 and \$15,491.1 or 75 FTEs for 2024. Budgeted/forecasted amounts for 2025 or 2026 cannot be provided since several projects are in the Planning/Conceptual Design phase and their specific requirements have not been fully established.

2026 Budget Components By Functional Area (cont.)

System Operations & Market Administration – 148.0 FTEs

Salaries (fully burdened)	\$ 36.8M
Professional Fees	\$ 0.0M

System Operations is responsible for the 24/7/365 reliable and efficient operation of New England’s Bulk Electric System (BES) and coordination with NERC Reliability Coordinators. System Operations provides near term engineering and outage coordination services, market transaction management as well as wind, solar and load forecasting services, and asset commitment services. The control room performs all Reliability Coordination (RC), Balancing (BA), and Transmission Operation (TOP) services under the NERC Standards for the New England Participants.

Market Administration is responsible for the day-to-day operations of the wholesale electricity markets in New England as well as the completion of asset registration, new generation coordination, and asset capability auditing. This includes developing market operating procedures to ensure compliance with FERC requirements. In addition, System Operations & Market Administration performs training, project integration, and analytical and auditing services for the corporation and its participants.

Description

- Control Room Operations – Around the clock operation of the BES and ISO real-time markets. This includes the Reliability Coordination, Balancing Authority and Transmission Operator for the New England Region including services for 400 Generating Stations and 9000 miles of transmission assets. Develop the New England Operating Plan including forecasting load, as well as resource scheduling, contract management, dispatch services and transmission operations services for the New England Participants.



2026 Budget Components By Functional Area

System Operations & Market Administration (cont.)

Description

- Design, Develop and Deliver Engineering Operating Guides and Studies - Design, develop, and deliver engineering operating guides, studies, and services regarding voltage, stability, and thermal constraints for use by the Company and Local Control Centers to reliably and efficiently operate the BES.
- Transmission & Generation Outage Coordination - Includes both short-term and long-term outage scheduling and coordination services looking out 2 years.
- Training – The Operational Performance, Training & Integration (OPTI) group provides new and ongoing training and simulation for system operators (+160 hours per year, per operator), Designated Entities, and all Local Control Center Operators on an ongoing basis.
- Procedure and Process Development and Maintenance - All ISO Operating Procedures, Master Local Control Center Procedures, Control Room Operating Procedures, System Operating Procedures, Transmission Operating Guides, Operating Manuals, and the Open Access Same-Time Information System (OASIS). This activity includes the committee approval processes at the RC, MC, PC, and MLCC.
- Integration - OPTI provides corporate project support for the department which consists of development, integration, and testing of market design changes into system and market operations; this includes development and maintenance of business procedures and operating manuals to ensure continuous compliance with the ISO New England Transmission, Markets, and Services Tariff.
- Gas-Electric Coordination and Energy Assessments - Coordination and information sharing with gas pipelines, energy analysis across different years, seasons and in real-time based on information gathered from fuel surveys and pipelines, establishing operating plans to deal with different system conditions, and communicating with stakeholders and regulators on a regular basis regarding all fuel types.

2026 Budget Components By Functional Area

System Operations & Market Administration (cont.)

Description

- NERC/NPCC/FERC Compliance - Ensure operational compliance with new and existing federal, regional, and New England Standards. Review and update processes, procedures, and training to ensure compliance.
- NERC/NPCC/NATF and ISO Committee - System Operations represents the ISO on national, regional, and New England task forces.
- Reliability Coordination- System Operations implements all reliability coordinating agreements with Hydro Quebec, NYISO, and New Brunswick System Operator and staffs the coordinating committee(s) to maintain the agreements.
- Market Administration – Administers the Hourly and Monthly markets including Day-Ahead, Financial Transmission Rights (FTR), Forward Reserve and Forward Capacity annual and monthly reconfiguration markets; administering the Forward Capacity Auctions and supporting related FERC filings; and Real-Time price monitoring and finalization.
- Asset Registration – Performs the tasks associated with the registration of assets as defined in the New England Markets, such as Generation, Loads, Tie Lines, Asset Related Demand, Demand Response Assets, Alternative Technology Regulation Resources, and On-Peak and Seasonal Peak Demand Resources.
- Auditing – Performs the tasks associated with the various types of audits as defined in the New England Markets, such as Passive On-Peak and Seasonal Peak Demand Resources, Active Demand Response Assets, Generation CCA (Establish & Seasonal) and Dual Fuel Audits, Blackstart, Claim 10/30, Reactive Power. In addition perform the continuous review of meter data quality for Demand Response Assets and periodic review of Measurement and Verification documentation for On-Peak and Seasonal Peak Demand Resources.
- New Gen Coordination – Manages and performs the tasks associated with the new generation coordination, modeling changes to existing generators and node activations/deactivations processes.

2026 Budget Resources By Functional Area

System Planning – 102.0 FTEs (5.5 FTEs are allocated to reimbursable studies)

Salaries (fully burdened)	\$ 22.5M
Professional Fees	\$ 2.7M

System Planning is responsible for development of the Regional System Plan, implementing the regional transmission planning process, administration of the interconnection process, developing findings for allocating transmission costs, interregional planning with our neighbors, preparation of the load forecast, and supporting New England’s capacity markets. A more detailed breakdown of services is provided below.

Description
<ul style="list-style-type: none">• <u>Transmission Planning Studies</u> – Ensure compliance with federal and regional reliability criteria as it pertains to planning of the New England Power System. Support regional transmission owners in state siting proceedings for major transmission projects. Develop and execute long-range transmission planning studies in conjunction with the states (e.g., 2050 Study). Issue and support RFP’s for competitive transmission per FERC Order 1000 and the Long Term Transmission Planning Process.• <u>Capacity Market Administration</u> – Includes reviewing show-of-interest applications; qualifying new resources (generation, demand resources, and imports); supporting administration of the Capacity Auctions and supporting related FERC filings; assist with reliability analysis in review of retirement requests, de-list bids, reconfiguration auctions, and bilateral contracts.• <u>Network Modeling and Eastern Interconnection Planning Collaborative (EIPC)</u> – Model Roll-up and Evaluation (contingency analysis and/or transfer analysis); participation in all levels of the EIPC structure including Technical Team, Economic Analysis Working Group, Coordination Committee, and Executive Committee. Support EIPC in management of the Multi-regional Modeling Working Group process.• <u>Attachment K Economic Studies</u> – Carry out the regional economic planning process as described in Attachment K.

2026 Budget Resources By Functional Area

System Planning (cont.)

Description

- Load Forecast - Develop annual hourly profile net demand across the ten-year planning horizon and work with the Load Forecast Working Group to review and refine the forecasts.
- Solar PV Forecast - A similar process for state investments in distributed generation is now in place, and an annual forecast of solar PV across the ten-year planning horizon is developed annually.
- Electrification Forecast – Annually develop a forecast that predicts the increase in demand due to the adoption of air-source heat pumps (ASHPs) in the winter months and use of electric vehicles. This forecast is incorporated into the ten-year load forecast used for the FCM and transmission planning.
- Installed Capacity and Local Sourcing Requirements - Develop the regional Installed Capacity Requirement, and Zonal Local Sourcing Requirement and Maximum Capacity Limit values that establish the requirements within the Forward Capacity Market. These values are reviewed within the NEPOOL committee structure; advisory input is provided by the Reliability Committee and Participants Committee, and the values are subsequently filed with FERC.
- Interconnection Process – Administer interconnection process for generators, elective transmission upgrades and regional network loads, in accordance with FERC Order No. 2023 requirements. Review and enhance generator interconnection policies and practices; continue to support state agencies on their RFPs for energy resources.
- Regional System Plan - Initiate a biennial planning report that documents all regional and interregional planning activities, and identifies resources and transmission facilities needed to maintain the reliable operation of New England's bulk electric power system over a ten-year horizon. ISO administers much of the regional planning process through interaction with the Planning Advisory Committee. Continue regional dialogue on Grid Transformation.

2026 Budget Resources By Functional Area

System Planning (cont.)

Description

- Interregional Planning - Participate in joint planning activities with NYISO and PJM through the Inter-Area Planning Stakeholder Advisory Committee stakeholder process. This process results in development of a periodic report of activities in the Northeast Coordinated System Plan. This process has been updated in compliance with FERC Order 1000. Active participation in various NERC committees and standard drafting teams, and provide leadership to the EIPC.
- Compliance - Active involvement in NERC and NPCC Committees and related activities in support of compliance with established federal and regional reliability standards and interregional planning activities.
- Training - Support ISO-led training activities for the Forward Capacity Market, State Regulator, and Market Participant training on the overall System Planning Process, and State Regulator Training on Transmission Planning criteria and analysis.
- Other - Conduct ten-year forecasting of seasonal peak demand and energy requirements and support operations daily forecast models including the solar PV forecast; support regional dialogue on strategic planning issues through various types of system operations analysis; develop annual marginal emissions report; process and maintain Generating Availability Data System database; monitor and evaluate emerging state and federal environmental and renewable energy standards; support the North American Energy Standards Board standards development process; and support individual state planning activities.

2026 Budget Resources by Functional Area

Market Development & Settlements - 70.0 FTEs*

Salaries (fully burdened)** \$ 17.8M

Professional Fees \$ 2.7M

Market Development & Settlements is responsible for the design and development of Wholesale Electricity Markets and Wholesale Markets Strategy, Demand Resources Strategy, reporting and analysis of market results, and the settlement of all ISO-administered markets, programs, and fees consistent with the ISO Tariff.

Description

- Market Assessment – Development of enhancements to the current markets and introduction of new markets and market products to address existing problems or emerging issues identified by ISO staff, the market monitors, stakeholders, and FERC.
- Support Market Change Recommendations – Support recommended changes in materials presented to stakeholders and in filings with FERC; support internal ISO implementation teams in designing new and enhanced markets and products.
- Tariff Updates and Compliance – Analysis of necessary updates to the ISO New England Transmission, Markets, and Services Tariff.
- Demand Response and Distributed Energy Resources – Development of market designs that enable Demand Response Resources and Distributed Energy Resource Aggregations to provide all wholesale services they are technically capable of providing.
- Market Analysis and Reporting – Designing, developing, and issuing weekly and monthly reports and public data files detailing market activities and outcomes, including load cost reports; delivering data and producing analyses of market activity requested from market participants, states, FERC, and other government officials.

*Note: Amounts and FTEs include Market Development & Settlements noted on slide 124 – 126



2026 Budget Components By Functional Area

Market Development & Settlements (cont.)

Description

- Market Settlements – Settlement of all Market Participant obligations, charges, and fees in the ISO-administered markets and ISO Tariff, including: the Day-Ahead and Real-Time markets, Bilateral energy transactions, Forward Transmission Rights Markets, Congestion Revenue accounting, Net Commitment Period Compensation Payments and charges, all market-based and OATT-based Ancillary Services, the Forward Capacity Market credits and charges, and other charges and payments due under the Open Access Transmission Tariff.
- Market Participant Settlement Support – Conduct timely analysis, investigation, and resolution of individual market participant inquiring about ISO invoices, statements and bills.
- Audit and Compliance Settlements Support – Extensive support for internal and external annual audits of the ISO's Market Settlement systems and execution, to ensure confidence in the ISO-administered markets and all participants' credits/charges.
- Training - Support ISO-led training activities for Market Participants and federal and state regulators on the ISO-administered markets, new market designs, project integration, participant settlement obligations, and participants' Market Information System reports.

2026 Budget Resources By Functional Area

Information and Cyber Security Services – 231.0 FTEs (23.0 FTEs are allocated to the capital budget)

Salaries (fully burdened)*	\$ 53.5M
Professional Fees	\$ 10.5M

The ISO’s Information and Cyber Security Services group is responsible for the information and data integrity of the organization as well as all information systems functions, including data centers, technical service centers, cyber security, production scheduling, software development, and systems operations. Total IT license and maintenance fees support 1,703 product versions, 1,502 servers (including cloud resources), 1,497 desktop systems, 1,198 network devices, and 512 appliances.

Description	Amount (\$ in Millions)
-------------	-------------------------

Information Technology (IT) Energy & Markets Applications - (51.0 FTEs)

Staff perform the following functions:

- Markets and Energy Management System Support including:
 - Power System Network Modeling and Maintenance
 - Includes NX9 (Transmission) and NX12 (Generation) Systems
 - Energy Management Systems Maintenance and Support
 - Includes Inter-Control Center Communications Protocol (ICCP)

See following slide

*Note: Direct Information Services costs for Internal Capital Development are included in the Capital Budget. The Information Services costs noted on Slides 135 through 139 only include operating costs.



2026 Budget Resources By Functional Area

Information Services (cont.)

Description	Amount (\$ in Millions)
Information Technology (IT) Energy & Markets Applications, (cont.)	
<ul style="list-style-type: none">Markets Applications Maintenance and Support<ul style="list-style-type: none">Includes Day-Ahead and Real-Time Energy Markets, Financial Transmission Rights (FTRs), the Testing and Training Simulator Environment (TTSE), the Dispatcher Training Simulator (DTS), and Synchrophasor Monitoring.Software and Maintenance support for Market Administration and Market Monitoring.	
Total IT Energy & Markets Applications:	\$ 13.8M



2026 Budget Resources By Functional Area

Information Services *(cont.)*

Description	Amount (\$ in Millions)
Information Technology (IT) Architecture and Enterprise Applications (88.0 FTEs)	
<ul style="list-style-type: none">• Enterprise Architecture, Solutions Architecture, and Technology Evaluation and Selection• Data Architecture, Data Governance, Data Warehousing, Business Intelligence and Data Analytics• Software Development and Maintenance for Settlements, Forward Capacity Markets, Market Monitoring and External Web• Software Maintenance and Support of applications supporting Finance/Payroll, Risk Management, Human Resources and Market Administration• Software Maintenance and Support of applications supporting Change Management, Access Management and Enterprise Workflow systems• Digital Transformation, Cloud Platform Engineering, Cloud Migrations and Application of Artificial Intelligence	
Total IT Architecture and Enterprise Applications:	\$ 23.1M



2026 Budget Resources By Functional Area

Information Services *(cont.)*

Description	Amount (\$ in Millions)
Information Technology (IT) Management and Cyber Security (36.0 FTEs)	
Staffing and Consultants perform the following functions:	
<ul style="list-style-type: none">• Direct Management of Infrastructure & Service Delivery, Cyber Security, and Software Testing (including change management)• Cyber Security, including:<ul style="list-style-type: none">– Policy and Procedure Development– Controls Assessment– Security Compliance & Reporting– Virus/Malware Response & Reporting– Intrusion Monitoring & Response– Identity and Access Management– Security Software Tools Maintenance & Support– Critical Infrastructure Protection Compliance & Monitoring– Security Metrics Collection & Reporting– Change Control Testing & Reporting– Security Awareness & Training, Software Change Management, and Quality Assurance Control• Software Testing Control	
Total IT Management and Cyber Security:	\$ 12.3M



2026 Budget Resources By Functional Area

Information Services *(cont.)*

Description	Amount (\$ in Millions)
Information Technology (IT) Infrastructure Services and Service Delivery (56.0 FTE)	
<ul style="list-style-type: none">• Networking & telecommunications services supporting Enterprise, Market & Planning functions• Network & telecommunications services supporting Reliability functions for regional Control Centers & Market Participants• Data center services• Microsoft and AWS public cloud services• Unix & Windows operating system management services• Server & storage management services• Backup & recovery infrastructure services• Desktop workstation hardware/software for workforce & Control Room• Audio/video collaboration services for internal workforce and external stakeholder meetings• 24/7 Network Operations Center (NOC) monitoring and Control Room IT support at both Control Centers	
Total IT Infrastructure Services and Service Delivery:	\$14.9M
Total Information and Cyber Security Services Staffing and Consulting:	\$64.0M



2026 Budget Resources By Functional Area

Program Management, Advanced Technology Solutions, and Participant Relations & Services – 76.5 FTEs
(10.0 FTEs are allocated to the capital budget)

Salaries (fully burdened)*	\$ 17.9M
Professional Fees	\$ 1.0M

The Program Management Office (PMO) is responsible for oversight and management of the Capital Budget. PMO and Advanced Technology Solutions are responsible for implementing program and system changes for the broad range of services and related applications that run the New England bulk electric power system, the wholesale electricity markets, and other supporting ISO New England Systems. The Participant Relations & Services (PRS) Department is responsible for leading the company’s engagement, training, and support of industry stakeholders on proposed changes to and implementation of ISO’s planning, operational, and market initiatives.

Description

- Evaluation of New Projects – Review and determine need and possible solutions for proposed emerging work requirements to be presented to senior management for approval.
- Project Management – Develop formal processes and procedures for the evaluation of capital project work including the value of proposed projects and determination of impacted business users; develop project scope and necessary resources; development and ongoing analysis of project budget, timeline, progression, risks and opportunities; and ensure proper project testing and business user acceptance.

*Note: Direct Project Management costs for Internal Capital Development are included in the Capital Budget. The cost noted above only include operating costs.



2026 Budget Resources By Functional Area

Program Management, Advanced Technology Solutions, and Participant Relations & Services (cont.)

Description

- Business Analysis and Product Management – Work with all business units to assess and review issues and opportunities for improvement, and manage implementation issues identified under the Corrective Action/ Preventative Action program to minimize disruption to business and system process.
- Advanced Technology Solutions – Develop both short-term and long-term solutions for market and system technology improvements, market clearing models to implement various market designs and improve market efficiency, algorithms and tools to improve system reliability, auction clearing software for forward capacity market, and simulation software.
- PRS: NEPOOL Relations - Leads the ISO's engagement with market participants and other stakeholders to collaborate on ISO's projects for market designs and reliability improvements. Administers the NEPOOL Technical Committees and related working groups, and serves as the ISO's primary liaison for NEPOOL members.
- PRS: Participant Support & Solutions – Manages and supports user experiences in the ISO markets, transmission planning processes, and other business functions to resolve industry stakeholder issues.
- PRS: Participant Training Services – Develops and delivers the ISO's external training programs for industry stakeholders to participate in all ISO systems and do business within ISO New England's footprint.
- PRS: Project Services – Develops and coordinates internal and external plans, work flows, and information on corporate projects across multiple departments to integrate the ISO's market, planning, and operations initiatives. Regularly publishes updated reports to industry stakeholders on corporate initiatives.

2026 Budget Resources By Functional Area

Market Monitoring & Mitigation – 22.0 FTEs

Salaries (fully burdened)	\$ 5.3M
Professional Fees	\$ 2.1M

Market Monitoring is a FERC-mandated function of each Regional Transmission Organization (RTO). Per FERC, RTO Market Monitors must report directly to the Board of Directors to assure independence from management.

Description

The ISO’s Internal Market Monitoring area is responsible for:

- Analysis of and report to stakeholders, FERC, and ISO Management on market performance.
- Administer market power mitigation and other mitigation provisions in the Tariff.
- Monitor for and identify instances of rule violations (including uncompetitive participant behavior), investigate and refer potential violations to FERC Office of Enforcement.
- Identify issues with current and proposed market design and provide recommendations for improvement.

Additionally, ISO-NE retains an External Market Monitor that also reports to the Board of Directors on its review of market outcomes and market design changes. External Market Monitor funding is included in the Legal and Professional Fees budget; however for purposes of Functional Area presentation it is included in the Market Monitoring & Mitigation amount above.



2026 Budget Resources By Functional Area

Legal Services - 20.0 FTEs

Salaries (fully burdened)	\$ 6.9M
Legal Fees	\$ 2.4M

The ISO New England Legal Services budget includes funding for staff attorneys, a paralegal, support staff, and external counsel to augment ISO Legal staff or for use where a particular expertise is needed.

Description

Both internal and external counsel cover work for:

- Development of market rule, Tariff and operating/planning procedure changes; support for the stakeholder process; and related regulatory and appellate litigation.
- Support for the market monitoring department.
- Tracking federal and state legal developments.
- Negotiating interconnection agreements and supporting the qualification of new assets.
- Refining the financial assurance and billing policies.
- Filing and supporting the administrative and capital funding tariffs.
- Advising on finance, tax, intellectual property, and contract matters.
- Handling labor, employment, and ERISA matters.
- Support for NERC and NPCC rulemakings and other compliance support.
- Responsible for corporate governance, including support for the Board of Directors and standing committees.



2026 Budget Components By Functional Area

External Affairs and Corporate Communications - 24.0 FTEs

Salaries (fully burdened)	\$ 5.5M
Professional Fees	\$ 0.7M

ISO New England's External Affairs and Corporate Communications are responsible for outreach to and communications with public officials, consumer representatives, the media, ISO employees, and the general public.

Description

The Department:

- Responds to media and proactively communicates regional electric grid and wholesale markets information to media outlets.
- Develops ISO publications (e.g., Regional Electricity Outlook, Regional System Plan) and conference presentations.
- Builds awareness of the ISO among key audiences, the media and general public.
- Manages Web Design, Web Content, ISO Newswire, the ISO App and social media.
- Informs public officials on the performance and needs of the power system and wholesale markets.
- Manages emergency and crisis communications to public officials, stakeholders, and the media, including the status of the power system during abnormal and emergency situations.
- Facilitates state feedback on the transmission system and wholesale market design.
- Monitors state and federal policy initiatives, to inform the market development and system planning process.
- Manages the Consumer Liaison Group, including meetings, presentations and the annual report.
- Manages internal employee communications, including the company's intranet.
- Assists other departments with communications materials (e.g., Human Resources recruitment marketing).
- Assesses environmental policies and advises company on implications and conducts outreach to community groups.



2026 Budget Resources By Functional Area

Compliance, Strategy, Risk Management, Finance/Market and Credit Risk, and Internal Audit - 50.0 FTEs

Salaries (fully burdened) \$ 12.6M

Professional Fees \$ 3.0M

Reliability & Operations Compliance, Enterprise Risk Management, Finance, and Internal Audit provide services in support of the ISO's mission as described below.

Description

- Compliance – Works to ensure compliance with FERC approved tariffs; NERC and NPCC compliance, certifications, and audits; and coordination with and support of national and regional compliance reliability standard-setting authorities and related committees.
- Enterprise Risk Management – Programs and processes include corporate-level risk identification, assessment, monitoring and reporting; support of corrective action programs and Operation Excellence activities; Business Process Documentation Standards and Change Management; Records Management and Retention policy; Business Continuity planning; Corporate Strategy; Tariff change coordination; and information governance.
- Finance/Market and Credit Risk – Responsible for payroll administration, procurement, accounts payable, budgeting and forecasting, accounting, financial statement and financial filings, corporate tax reporting, treasury, cash management, capital adequacy, settlement billing and cash clearing, development and administration of the Financial Assurance Policy; financial reporting; and Insurance Program Management.
- Internal Audit - Conducts and coordinates audits and reviews across the organization, at key vendors, and at LCC's to ensure compliance with company policy and a sound system of internal controls, maintain certifications for market system changes, and meet assurance requirements for external parties. Audits conducted by internal staff include internal controls and compliance audits in the areas of operations, IT and cyber security, system development projects, and adherence to company finance and human resources administrative policies. Coordination activities for external audits and reviews include the System and Organization Controls (SOC 1) engagement, the Financial Statements Audit, the Benefits Plans Audits, and market system software certifications.

2026 Budget Resources By Functional Area

Human Resources - 24.0 FTEs

Salaries (fully burdened)	\$ 6.4M
Professional Fees	\$ 3.4M

The ISO’s Human Resource group is tasked with attracting, hiring, developing, and retaining the company's uniquely qualified and highly skilled workforce.

Description
<ul style="list-style-type: none">• Designs, benchmarks, and administers human resource programs and policies, including those for employee engagement, performance, development, compensation, benefits, recognition, and employee issue resolution to foster a positive, engaging, and productive work environment for all employees as well as ensuring compliance with all state and federal requirements.• Supports workforce planning and recruits for all talent needs inclusive of marketing, sourcing, interviewing, facilitating offers, background checks, and onboarding.• Designs and delivers industry-specific, leadership, and professional learning opportunities to ensure that all talent is developed in support of company goals, succession plans, and business continuity. Learning opportunities include formal training, projects and experiences, partnerships with industry groups and universities, individualized coaching, and tuition reimbursement.• Supports organizational effectiveness through the alignment of goals, scorecards, performance, and rewards with strategy and culture. Consults on enhancing company culture, engagement, team performance, structure, and leadership effectiveness.• Manages human resource systems and tools to ensure they can deliver the necessary capability, effectiveness, and reporting for the company.• Consults as a key advisor on work environment including, safety, security, business resiliency, and employee experience.



2026 Budget Resources By Functional Area

Building Services

\$4.8M

Building Services includes funding for physical security including compliance with relevant NERC standards and building services for both the Holyoke and Windsor campuses including: utilities, maintenance, upkeep, cleaning, landscaping, snow, and trash removal.

Description	Amount (\$ in Millions)
• Salary and benefits – 5.0 FTEs	\$ 0.9
• Utilities	1.7
• Repairs and Maintenance, Cleaning Services, Snow Removal, Landscaping, and Trash Removal	1.3
• Security	0.9
Total Building Services	\$ 4.8

Description

CEO, COO, and Support Staff – 5.0 FTE’s

Salaries (Fully Burdened)

\$3.4M



2026 Budget Resources By Functional Area

Meetings & Related Expenses and Education & Training

\$3.2M

Includes travel, meals, lodging, incidentals, and course/seminar fees (where applicable) for stakeholder meeting costs, travel for regulatory meetings (FERC/NERC/NPCC), state agency meetings, technical and general training costs, attendance at industry and other conferences, education reimbursement, and offsite ISO-sponsored market training for participants.

Description	Amount (\$ in Millions)
• <u>Corporate Training</u> – Enterprise wide training programs including supervisory leadership development, professional development, Power System Engineering Program, and business skills.	\$ 0.2
• <u>Technical and NERC Certification Training</u> – NERC certification training and other job required training for the development, administration, or maintenance of IT Systems.	0.6
• <u>Industry and Other Conference Attendance</u> – Attendance to speak, or provide industry expertise, attend joint ISO/RTO conferences, and attend other miscellaneous conferences.	0.4
• <u>Regulatory</u> – Travel and related expense for regulatory meetings and support including FERC, NERC, NPCC, and state agencies.	0.4
• <u>Stakeholder Meetings</u> – Travel and related expense for ISO employees to attend stakeholder meetings throughout the region.	0.3
• <u>Market Training</u> - Costs for offsite ISO sponsored market participant training classes. Includes facility and equipment rental and meals for participants. These costs are fully reimbursed by participant attendance fees (fees are included in Interest Income and Other Revenue line).	0.1
• <u>Education Reimbursement</u> – Reimbursement for employment related degree programs approved by the Human Resources department and other job-related certification exams approved by the employees' manager.	0.2
• <u>Other</u> – Includes miscellaneous travel reimbursement and employee service recognition.	1.0
Total Meetings & Related Expenses and Education & Training	\$ 3.2M

APPENDIX 6: INTEREST RATE RISK



Interest Rate Risk

- 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
 - ISO-NE earns interest on the settlement account float
 - Interest income rates are also dependent on market conditions with rate fluctuations impacting the effectiveness of the settlement float hedge; during the majority of 2020-2021, the interest income rates have exceeded floating debt rates; since 2022 we have seen multiple rate increases with the rise in tax exempt debt outpacing interest income rates. As of June 30, 2025, the tax-exempt debt rate is 2.4% and settlement float rate is 2.1%
 - These costs could exceed what's predicted on Slide 80
 - Unlike the interest rate that is currently lower than the tax-exempt debt rate, the average float in the settlement account is higher than the outstanding principal of the tax-exempt debt therefore has been an effective hedge against interest expense rates.
 - ISO-NE pays a floating interest rate on its tax-exempt bonds
 - ISO-NE utilizes interest rate assumptions in establishing liabilities and related costs for its postretirement benefit plans (See Slide 104)

APPENDIX 7: CAPITAL EXPENDITURES BUDGET DETAIL



Capital Budget – 2026 Capital Projects Schedule

((\$000's))

Capital Projects - Approved Charters

- . nGEM Real-Time Market Clearing Engine Implementation
- . Distributed Energy Resources - Order 2222
- . Managing Transmission Line Ratings [3]
- . Adoption of NERC CIP Compliance of Synchrophaser Systems
- . EMS CFE Refresh
- . Enterprise Core Network Refresh
- . Centralized Application Security

Sub Total Projects with Approved Charters

Planning/Conceptual Design [2]

- . Single Interval MCE Improvements (SIMI)
- . EMP 3.5 Upgrade - GridOS
- . MW Dependent Fuel Price Adjustment
- . Advanced Technology Initiatives
- . Order 2023 Interconnection Reforms
- . Atlassian Cloud Migration
- . Day-Ahead Market Simulator (DAMKTSIM)
- . GridOS Connect
- . Oracle Platform Replacement
- . Storage as Transmission Only Asset (SATO A)
- . Replace Employee & Pager Application
- . Circuit Inventory Management Platform Phase 2
- . Tie Line Telemetry Replacement
- . Solar Do Not Exceed Dispatch Phase III
- . Operations Document Management System MS 365 Conversion
- . CIP ESP Phase 3
- . Long-term FTRs [4]
- . Other Emerging Work Projects

Sub Total Planning/Conceptual Design

- . Non-Project Capital Expenditures
- . Capitalized Interest & Loan Fees

Total Capital Expenditures

Project-To-Date	Current Year (2025) Cost to Complete [1]	2026 Cost to Complete	Future Year Cost to Complete	Total Project Costs	Estimated Complete Date
9,418.5	2,130.0	3,203.6	-	14,752.2	05/26
181.2	2,527.8	2,642.7	-	5,351.6	11/26
6,852.1	849.7	1,000.0	-	8,701.9	12/26
281.0	798.5	994.6	-	2,074.1	08/26
257.6	388.6	108.2	-	754.4	06/26
117.5	1,980.4	48.0	-	2,145.9	08/26
28.5	137.4	38.7	-	204.6	02/26
17,136.3	8,812.6	8,035.8		33,984.7	
101.3	98.7	5,000.0	8,000.0	13,200.0	06/28
-	400.0	3,500.0	3,000.0	6,900.0	09/27
27.1	72.9	2,500.0	-	2,600.0	12/26
-	2,000.0	2,000.0	-	4,000.0	12/26
123.5	17.5	2,000.0	-	2,141.0	09/26
152.9	147.1	2,000.0	-	2,300.0	12/26
6.8	93.2	1,800.0	-	1,900.0	12/26
338.3	160.3	1,500.0	-	1,998.7	12/26
20.9	579.1	1,200.0	-	1,800.0	09/26
-	500.0	500.0	-	1,000.0	10/26
49.0	1.0	500.0	-	550.0	12/26
-	-	500.0	-	500.0	10/26
91.2	58.8	500.0	-	650.0	10/26
-	-	500.0	-	500.0	12/26
20.2	19.8	250.0	-	290.0	10/26
-	1,000.0	250.0	-	1,250.0	05/26
907.5	-	-	-	907.5	TBD
-	-	3,264.2	-	3,264.2	
1,838.8	5,148.4	27,764.2	11,000.0	45,751.4	
2,189.9	3,110.1	5,500.0	-	10,800.0	
578.7	521.3	1,200.0	-	2,300.0	
21,743.6	17,592.4	42,500.0	11,000.0	92,836.0	

[1] The amounts under the "Current Year (2025) Cost to Complete" list only includes those projects with budgeted costs in 2026 and beyond.

[2] The 2026 Budget for Projects in Planning and Conceptual Design is not final. Once the project scope and timeline have been determined the budget will be finalized

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

[4] The Long-term FTRs project was been indefinitely deferred pending the development of appropriate credit requirements.

Capital Budget

2026 Expenditures/Major Projects in Development

nGEM Real-Time Market Clearing Engine Implementation

\$3.2M

ISO-NE's Market Management System (MMS) is based on GE Grid Solution's suite of market applications known as the Next Generation Markets (nGEM) program. GE is redeveloping the Market Clearing Engine (MCE), a central component of the MMS.

Pursuant to a separate capital project, the Day-Ahead MCE has been developed and is in production. The nGEM Real-Time Market Clearing Engine (RT MCE) project will build on the Day-Ahead MCE to develop and deploy the Real-Time MCE, including ISO-NE customizations.

As part of this project, two of the legacy RT MCE study modes (the Real-Time Unit Commitment (RTUC) and Coordinated Transaction Scheduling Pricing Engine (CTSPE) functions) will be replaced and continue the transition from Energy Management System to Market Management System interfaces. The nGEM 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 MCE's in ISO infrastructure.

The target completion date for this project is May 2026.



Capital Budget

2026 Expenditures/Major Projects in Development

Distributed Energy Resources - Order 2222

\$2.6M

FERC's Order 2222 requires that independent system operators and regional transmission organizations remove barriers to the participation of distributed energy resource aggregations (DERAs) in wholesale electricity markets. In accordance with Order 2222, ISO-NE proposes to expand its current energy market models and add two new energy market participation models for DERAs: Settlement Only Distributed Energy Aggregation, and Demand Response Distributed Resource Aggregation. Additionally, the introduction of a new resource type, Distributed Energy Capacity Resource, will allow DERAs to participate in the Forward Capacity Market.

Compliance with Order 2222 will span two projects. The first project, Forward Capacity Market Order 2222, which was completed in February 2024, implemented the necessary software changes to support the qualification and participation of Distributed Energy Capacity Resources in the Forward Capacity Market. The FERC Order 2222 project will include the software changes to allow for the integration of DERAs in the wholesale markets and operations systems and any remaining compliance obligations of the Order.

The targeted completion date for this project is November 2026.



Capital Budget

2026 Expenditures/Major Projects in Development

Managing Transmission Line Ratings

\$1.0M

Order 881 included obligations and compliance requirements for 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.¹

ISO-NE will implement various Order 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.

As part of this project, GE will provide four deliverables: a Limit Exchange Portal (LEP), which serves as an exchange portal to allow submission of new ratings and query of current/resolved ratings; an enhanced EMS to address Order 881 compliance requirements; network modeling customizations, including modifications to various forms and customizations; and customizations to support WebFG modeling, which is the software used for modeling one-line diagrams.

The targeted completion date for this project is December 2026.

¹ See Managing Transmission Line Ratings, Order 881, 177 FERC ¶ 61,179 (2021), P. 28.



Capital Budget

2026 Expenditures/Major Projects in Development

Adoption of NERC CIP Compliance of Synchrophaser Systems

\$1.0M

Phasor Measurement Units (PMUs) are essential for monitoring real-time grid dynamics. This is increasingly important as the electrical grid faces more uncertainties, operates closer to stability limits, and integrates more inverter-based resources at unprecedented levels. Although the ISO has made significant progress in adopting synchrophasor technology in both planning and operations, the organization has not fully utilized its potential in real-time operations due to Critical Infrastructure Protection (CIP) requirements.

The Adoption of NERC CIP Compliance of Synchrophasor Systems project aims to enhance the infrastructure related to synchrophasor applications and ensure they adhere to NERC CIP compliance protocols. Doing so will help the ISO utilize the full potential of synchrophasor technology in real-time operations while maintaining compliance with the necessary security standards.

The targeted completion date for this project is August 2026.



Capital Budget

2026 Expenditures/Major Projects in Development

Energy Management System Communication Front End (EMS CFE) Refresh \$0.1M

The Energy Management System Communication Front End (EMS CFE) Refresh project will upgrade the hardware and software platforms supporting the ISO's Energy Management System (EMS) and Communication Front End (CFE) platforms, which support real-time operation of the regional power grid and market systems.

The EMS CFE Refresh project will replace aging server infrastructure that is nearing end of life and modernize software environments to ensure system reliability, maintainability, and performance. As part of the project scope, approximately 37 new physical servers and 32 virtual servers will be deployed across development, integration, and production environments. These upgrades are necessary to improve system performance and support future scalability.

The EMS CFE Refresh project will also involve updating the underlying technology framework to align with current internal standards, reduce maintenance demands, and enhance overall system compatibility and efficiency.

The targeted completion date for this project is June 2026.



Capital Budget

2026 Expenditures/Major Projects in Development

Enterprise Core Network Refresh

\$0.1M

The Enterprise Core Network Refresh is a multi-phase effort that will modernize the ISO’s enterprise core network, which serves as the backbone for the ISO’s market and business operations. The current infrastructure will be replaced with a more secure, scalable, and resilient network architecture designed to support evolving operational needs and industry best practices. This project will be executed in four strategic phases.

The first phase will focus on upgrading the optical transport layer by replacing legacy Dense Wavelength Division Multiplexing (DWDM) systems with a modern platform. Key activities will include reviewing and finalizing the new topology, deploying new equipment, and retiring outdated infrastructure.

The second phase will involve preparing physical and logical infrastructure at ISO’s campuses, which will include evacuating outdated cabling and installing new single-mode fiber, and reconfiguring key intermediate distribution facilities. It will also cover the groundwork for transitioning to the refreshed network by preparing data center spaces and routing paths for the new core infrastructure.

The third phase will execute the transition to the new core network and will include migrating to the new fiber backbone, interconnecting legacy and modern infrastructure to ensure seamless cutover, relocating critical equipment, and migrating applications and services with minimal disruption.

The final phase will focus on fully decommissioning legacy campus and data center infrastructure that was replaced during earlier phases. This will include updating system documentation, revising disaster recovery, and conducting a lessons-learned review to inform future infrastructure initiatives.

Through these four phases, the ISO will enhance the performance, security, and sustainability of its enterprise network while improving its ability to support business continuity and growth.

The targeted completion date for this project is August 2026.



Capital Budget

2026 Expenditures/Major Projects in Development

Centralized Application Security

\$0.1M

Cyber security risk in application security has become more complex and multifaceted because of increased application complexity, threats sophistication, and technological advancements. As a result, the ISO has begun using a new tool to provide a more dynamic and integrated approach to application security by embedding security measures directly into the application development lifecycle.

The Centralized Application Security project will integrate the new platform into all ISO applications allowing full use of instrumentation technology to detect vulnerabilities and threats from within applications, offering more accurate and efficient protection.

The targeted completion date for this project is February 2026.



Capital Budget

2026 Expenditures/Major Projects in Conceptual Design

Single Interval MCE Improvements (SIMI)

\$5.0M

ISO-NE's Market Management System (MMS) is based on GE Grid Solution's suite of market applications known as the Next Generation Markets (nGEM) program. GE is redeveloping the Market Clearing Engine (MCE), a central component of the MMS. A separate capital project, the nGEM Real-Time Market Clearing Engine (RT MCE) project, will develop and deploy the Real-Time MCE, including ISO-NE customizations. During the first phase of the nGEM RT MCE project, which will go into production in 2026, two of the legacy RT MCE study modes (the Real-Time Unit Commitment (RTUC) and Coordinated Transaction Scheduling Pricing Engine (CTSPE) functions) will be replaced and continue the transition from Energy Management System to Market Management System interfaces.

The nGEM Single Interval MCE Improvements Project (SIMI) will continue the efforts from Phase I and fully transition the remaining seven Real-Time study modes to the nGEM MCE platform.

At the conclusion of this project, ISO-NE will be performing all production Day-Ahead and Real-Time market clearing using the nGEM version of the MCE, allowing for the retirement of the classical MCE and its underlying infrastructure.

The targeted completion date for this project is June 2028.



Capital Budget

2026 Expenditures/Major Projects in Conceptual Design

EMP 3.5 Upgrade - GridOS

\$3.5M

ISO-NE's Energy Management System (EMS) relies on GE's suite of Energy Management Platform (EMP) applications. Customization to GE's EMP software are necessary in order to meet the business requirements of ISO-NE's System Operations and Market Operation groups. GE released a new version of its EMP application (EMP 3.5) in Q3 2025 and ISO-NE must upgrade to GE's latest platform to continue receiving support. The upgrade will involve significant effort to port ISO-NE's customized software to the new EMP platform.

The targeted completion date for this project is September 2027.



Capital Budget

2026 Expenditures/Major Projects in Conceptual Design

MW Dependent Fuel Price Adjustment

\$2.5M

ISO-NE is proposing changes to the energy market mitigation rules that govern the fuel price adjustment (FPA) process. These changes, known as “MW-dependent FPAs,” will allow resources to reflect up to two different fuel prices in their cost-based reference levels, which will improve the accuracy of energy market mitigation and enhance energy market efficiency.

The MW Dependent Fuel Price Adjustment project involves updating ISO-NE’s energy market software to allow participants to submit an FPA with one or two fuel prices and to allow for participants to specify how the requested price(s) apply to their supply offer. The software enhancements will address issues raised in the May 5, 2023, FERC Show Cause Order.

The targeted completion date for this project is December 2026.



Capital Budget

2026 Expenditures/Major Projects in Conceptual Design

Advanced Technology Initiatives

\$2.0M

The Advanced Technology Initiative (ATI) project is a supplement to the recently completed nGEM development program with GE, the ISO's Markets Management System (MMS) vendor. ISO plans to continue partnering with GE on an extended basis to improve and enhance functionality within the MMS. The initial focus of this partnership is anticipated to be the implementation of time-coupled functionality within the nGEM Market Clearing Engine. Time-coupled functionality offers more advanced mathematical formulations for market clearing. This gives the ISO another tool to handle market clearing complexities (e.g., proliferation of storage resources). The time-coupled functionality will first be implemented in a standalone version of the MCE for a limited-bus model and Day-Ahead Market (DAM) study modes. Eventually, the time-coupled functionality will be implemented in the integrated MCE application and be available for DAM and Real-Time Market clearing, though this product work will require a phased approach and take 1-2 years to complete.

The targeted completion date for this project is December 2026.



Capital Budget

2026 Expenditures/Major Projects in Conceptual Design

Order 2023 Interconnection Reforms

\$2.0M

FERC issued Orders 2023 and 2023-A which implement significant reforms to 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. The Interconnection Request Tracking Tool (IRTT) is the current external facing application through which interconnection customers submit and manage Interconnection Requests, and through which the ISO communicates with interconnection customers throughout the interconnection process.

The Order 2023 reforms dramatically change the manner in which the ISO administers the interconnection process, as well as how interconnection customers are expected to participate in that process, which necessitates significant updates to the IRTT or alternatively, the purchase and configuration of a commercial interconnection life cycle management application. Additionally, a new Commercial Readiness Deposit, cost allocation methodology and withdrawal penalties will also necessitate new processes in Market & Credit Risk and Finance, and interactions with System Planning.

The targeted completion date for this project is September 2026.



Capital Budget

2026 Expenditures/Major Projects in Conceptual Design

Atlassian Cloud Migration

\$2.0M

Jira, an Atlassian project management application currently utilized is maintained on several on-premise ISO servers and databases. Because these applications are on-premise, there is an associated overhead in maintaining and updating them. ISO support teams spend a significant amount of time supporting application patching, reviewing and monitoring security vulnerabilities, and upgrading the underlying infrastructure. Moving these application workflows to a cloud environment will help the ISO gain operational maintenance efficiencies and provide ISO support staff greater access and visibility across all Jira ticketing systems that the ISO uses.

The targeted completion date for this project is December 2026.



Capital Budget

2026 Expenditures/Major Projects in Conceptual Design

Day-Ahead Market Simulator (DAMKTSIM)

\$1.8M

The Internal Market Monitoring (IMM) group requires the development of an application capable of modelling and simulating Day-Ahead Market behavior to effectively assess market performance and market competitiveness and to evaluate the impacts of uncompetitive or manipulative participant behavior on market outcomes. The complexity of the market clearing process and market interactions require such a tool to perform robust data analyses. The application will allow IMM to run simulations based on historical data and to develop counterfactual scenarios while simulating the associated market outcomes. Once available, ISO expects to utilize the Day-Ahead Markets Simulator to analyze and report upon the performance of the Day-Ahead Ancillary Services market.

The targeted completion date for this project is December 2026.



Capital Budget

2026 Expenditures/Major Projects in Conceptual Design

GridOS Connect

\$1.5M

In 2026, ISO-NE will start upgrading the Energy Management System (EMS) to GE Vernova's EMP3.5 Platform. EMP3.5 introduces advanced network and generation features, including voltage ride-through contingency analysis, constrained power group monitoring, and Distributed Energy Resource (DER) forecasting integration. These capabilities are essential for ensuring grid stability as ISO-NE transitions to an evolving energy future.

An early adoption of GridOS Connect, which is GE Vernova's comprehensive software suite designed for managing electric grids, will aid in accelerating the implementation of EMP3.5. It integrates data analytics, artificial intelligence, and advanced grid management tools to optimize grid operations, enhance reliability, and support the transition to renewable energy sources. GridOS Connect is a new integration layer that will allow ISO-NE to access distributed data in their existing architecture.

The targeted completion date for this project is December 2026.



Capital Budget

2026 Expenditures/Major Projects in Conceptual Design

Oracle Platform Replacement

\$1.2M

The ISO's Oracle Platform license is nearing its end of life. The Oracle Platform Replacement project will update the ISO's license to the latest version and bring in Oracle Exadata servers with the Cloud@Customer technology. Oracle Exadata is a pre-configured, integrated hardware and software system optimized for running Oracle Databases. In addition to upgrading to the latest Oracle license version, the addition of Oracle Exadata will improve our server base with hardware that can better react to the demands put on it. This project will enhance the work our database management team is able to do.

The targeted completion date for this project is September 2026.



Capital Budget

2026 Expenditures/Major Projects in Conceptual Design

Storage as Transmission Only Asset (SATOA)

\$0.5M

In October 2023, FERC approved a proposal from ISO-NE, which enables electric storage facilities to be planned and operated as transmission only-assets to address system needs identified in the regional system planning process. The rules allow transmission companies to own and maintain energy storage assets for supporting the transmission system. These assets are called Storage as Transmission Only Assets (SATOAs).

SATOAs are different from energy storage assets that participate in the ISO-NE's wholesale markets in that they serve a transmission function only. Unlike energy storage assets, SATOAs are selected as transmission solutions through the regional system planning process administered by ISO-NE, and are subject to ISO-NE's operational authority. They do not participate in the wholesale markets other than for limited purposes specified in the rules. This project will integrate the operation of SATOAs into ISO-NE's operation applications.

The targeted completion date for this project is October 2026.



Capital Budget

2026 Expenditures/Major Projects in Conceptual Design

Replace Employee & Pager Application

\$0.5M

The access rights and employee request applications are essential for managing identity and access within the organization. These applications allow workforce members to model, request, approve, and implement access to various information technology assets, such as servers, systems, shared drives, and badged physical access. To adhere to industry best practices and to address several recommendations from ISO-NE staff, these systems required new functionality.

Phase I of the project, known as Identity and Access Management Phase I, involved purchasing and implementing the necessary hardware and software to update the current access rights process.

Phase II, known as Identity and Access Management Phase II, focused on integrating the new hardware and software with ISO-NE systems. This phase also implemented new authorization roles and added features to protect the system from unauthorized access.

The Replace Employee & Pager Application project is the third phase and will replace the current employee and pager applications, develop one or more new applications to enhance system capabilities, and identify potential automation efficiencies.

The targeted completion date for this project is December 2026.



Capital Budget

2026 Expenditures/Major Projects in Conceptual Design

Circuit Inventory Management Platform Phase II

\$0.5M

The ISO-NE IT Communications Projects team (ITComms) requires a centralized platform for Communications and Information Management (CIM) that meets the everyday needs of the ITComms team and facilitates the sharing of telecom data with other departments within the organization.

When complete in November 2025, Phase I of the Circuit Inventory Management Platform project will acquire and implement a centralized platform, ensuring it is tailored for optimal use by the ITComms team and capable of effectively integrating and distributing telecom data across the organization. Completion of this project will allow for enhanced collaboration, streamlined processes, and improved overall efficiency in managing communications and information.

The second phase of the Circuit Inventory Management Platform project will include integrating the centralized platform, being implemented in Phase I, and the ISO's Customer and Asset Management System to share data back and forth between the two applications and with multiple business units at the ISO. This will include building data bridges and changing the underlying data structure to improve how data is shared between the applications.

The targeted completion date for this project is October 2026.



Capital Budget

2026 Expenditures/Major Projects in Conceptual Design

Tie Line Telemetry Replacement

\$0.5M

Tie line telemetry is a key input for calculating area control error which is critical to the ISO's ability to balance generation and load in New England. System Operations' current audio tone transmitter and receiver equipment that supports the instantaneous tie line telemetry reached its end-of-life status in June 2022 and there is limited ability to procure replacement parts. In addition, the existing tie line telemetry system lacks redundancy which is inconsistent with other systems used for reliability by ISO-NE System Operations. The project will replace the existing analog system with a fully redundant digital system.

The targeted completion date for this project is October 2026.



Capital Budget

2026 Expenditures/Major Projects in Conceptual Design

Solar Do Not Exceed Dispatch Phase III

\$0.5M

The amount of solar energy generation in New England is growing and expected to continue increasing. Integrating these solar resources requires developing rules, processes, forecasts, and tools to incorporate them into the Do-Not-Exceed (DNE) dispatch processes.

In Phase I, GE enhanced ISO-NE's Renewable Plan (Rplan) software. This allows Market Participants to submit medium- and long-term data on future power generation availability. The upgrades support the inclusion of solar power forecasts, alongside wind forecasts from multiple vendors.

In Phase II, remote terminal units (RTU) were installed and tested at solar units to support DNE dispatch signals. Additionally, several applications, including PWRFLOW and RTGEN were also updated to support the new DNE functionality.

To accommodate the anticipated growth of solar resources, further development is needed. This involves aligning ISO-NE internal applications with changes from the initial project phases. In Phase III, updates are planned for TARA Case Builder, STOCM, Jasper Reports, and the Operator Training Simulator (TTSE).

The targeted completion date for this project is December 2026.



Capital Budget

2026 Expenditures/Major Projects in Conceptual Design

Operations Document Management System MS 365 Conversion

\$0.3M

The Operations Document Management System is a SharePoint based application used by the System Operations department to manage the lifecycle of documents that are referenced by the Control Room Operators, ISO-NE Employees, and Local Control Center employees. These documents include ISO New England Operating Procedures, Master/Local Control Center Procedures, ISO New England System Operating Procedures, Transmission Operating Guides, ISO New England Control Room Operating Procedures, and Temporary Operating Guides.

The document repository and its workflows are currently at end of Microsoft support and need to be updated. Due to system limitations, the existing workflows cannot be migrated directly to the version of SharePoint Online and must be rewritten in accordance with the business requirements.

The targeted completion date for this project is October 2026.



Capital Budget

2026 Expenditures/Major Projects in Conceptual Design

CIP ESP Phase 3

\$0.3M

This project will improve the Critical Infrastructure Protection (CIP) compliance of the ISO’s Electronic Security Perimeter (ESP) networks and will enhance the ISO’s overall network security posture. While these changes are primarily focused on meeting specific CIP requirements, they also align with general industry best practices that will result in the ISO’s network infrastructure being more resilient to failure, recovery, and change. This project will focus on the hardware, network, and virtual environment foundation for the production ESP network. This project is a continuation of the network modernization efforts started in CIP ESP Phases 1 & 2 and will bring the production ESP network into parity with the integration ESP network.

The targeted completion date for this project is May 2026.



Capital Budget

2026 Expenditures/Major Projects in Conceptual Design

Non-Project Capital Expenditures

\$5.5M

Non-Project capital expenditures fund external and internal capitalized labor necessary to program Change Requests (CRs)(\$3.0M); non-project related hardware purchases (\$2.0M); and Building Improvements, Machinery & Equipment, and Furniture & Fixtures (\$0.5M).

Other Emerging Work

\$4.3M

This category is primarily intended to address emerging work requests during 2026 that result from operational needs, compliance obligations, or stakeholder feedback.

Refer to the following slide for further detail on Non-Project Capital Expenditures.



Capital Budget

2026 Non-Project Capital

The budget forecast for each of the non-project capital categories is informed by historical level expenditures and an assessment of planned investments for the upcoming year. The budgeted expenses for Non-Project Capital Expenditures, like the ISO-NE operating budget categories, are zero-based each year. The 2026 amounts and description of funding included for each category is provided as follows:

- **\$3.0 million – Change Requests:** Annually, ISO-NE’s Information Services (“IS”) department addresses several hundred small requests to improve existing software infrastructure. The IS department deploys a combination of ISO-NE internal employees, consultants, and vendors to address the list of open change requests. Each year, the forecasted budget is reviewed to ensure the resources dedicated to this effort are not in conflict with slated major projects.
- **\$2.0 million – Non-Project Hardware:** ISO-NE has a critical investment in servers, storage, networking, and monitoring systems in our data center environment that support ISO-NE’s critical roles of Grid Operation, Market Administration, and Power System Planning; as well as general corporate needs. ISO-NE is required to ensure that existing deployed infrastructure is 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 remain supported with security and maintenance contracts, as well as meet IT reliability service levels. In 2026, ISO-NE will continue to replace and upgrade IT Infrastructure as required. Projects include: (1) to continue refreshing ISO-NE’s virtualization server infrastructure to replace servers reaching end-of-life; (2) replace aging storage infrastructure supporting database and virtualization workloads; and (3) upgrades to the network security infrastructure that support remote access, including firewall replacements and security controls integration.
- **\$0.5 million - Building Improvements, Machinery & Equipment, and Furniture & Fixtures:** Annually, ISO-NE’s Building Services department invests in the upkeep and upgrading of ISO-NE’s Holyoke and Windsor facilities. The 2026 budget funding includes replacement of the Heating, Ventilation, and Air Conditioning (HVAC) units over the Holyoke Campus Control room.



Capital Budget

Resource Allocation for 2026 Projects with Approved Charters

The following projects included in the 2026 budget have approved charters with specific funding requirements established. For each project the breakdown of costs and full-time equivalent (FTE) positions is provided by year and between internal labor and outside consultants. Amounts include actual and future forecast/budget.

Capital Projects - Approved Charters	2023 and Prior Actual				2024 Actual				2025 Actual & Remaining Forecast (1)				2026 Budget			
	Int Labor \$	FTE Equiv	Consult \$'s	FTE Equiv	Int Labor \$	FTE Equiv	Consult \$'s	FTE Equiv	Int Labor \$	FTE Equiv	Consult \$'s	FTE Equiv	Int Labor \$	FTE Equiv	Consult \$'s	FTE Equiv
. nGEM Real-Time Market Clearing Engine Implementation	\$ 510,245	2.3	\$ 2,386,865	8.8	\$ 325,803	1.5	\$ 2,686,226	9.9	\$ 470,967	2.2	\$ 3,441,226	12.7	\$ 181,664	0.8	\$ 3,021,949	11.2
. Distributed Energy Resources - Order 2222	-	-	-	-	-	-	-	-	1,045,606	4.8	1,663,340	6.2	1,515,280	6.9	1,127,400	4.2
. Managing Transmission Line Ratings	38,830	0.2	109,050	0.4	465,153	2.1	3,118,615	11.5	775,192	3.5	1,923,295	7.1	790,000	3.6	210,000	0.8
. Adoption of NERC CIP Compliance of Synchrophaser Systems	9,820	0.0	-	-	47,780	0.2	-	-	206,852	0.9	144,658	0.5	102,665	0.5	215,500	0.8
. Energy Management System Communication Front End Refresh	-	-	-	-	-	-	-	-	168,469	0.8	77,731	0.3	68,944	0.3	39,300	0.1
. Centralized Application Security	-	-	-	-	-	-	-	-	119,883	0.5	46,017	0.2	35,191	0.2	3,519	0.0
. Enterprise Core Network Refresh	-	-	-	-	-	-	-	-	63,577	0.3	68,463	0.3	43,000	0.2	5,000	0.0

Assumptions for FTE Equiv = Int Labor Fully Burdened = \$105/hr., Consultants = \$130/hr.

(1) 2025 includes actual results through June as well as the remaining forecast for the rest of the year. Actual amounts through June are: nGEM Real-Time Market Clearing Enging Implementation - \$1,782.2K; Distributed Energy Resources - Order 2222 - \$181.2K; Managing Transmission Line Ratings - \$1,863.8K; Adoption of NERC CIP Compliance of Synchrophaser Systems - \$27.3K; Energy Management System Communication Front End Refresh - \$21.7K; Centralized Application Security - \$28.5K; Enterprise Core Network Refresh - \$91.8K

(2) The above amounts exclude hardware and/or software amounts of: nGEM Real-Time Market Clearing Implementation - \$1,727.2K; Managing Transmission Line Ratings - \$1,271.7K; Adoption of NERC CIP Compliance of Synchrophaser Systems - \$1,346.8K; Energy Management System Communication Front End Refresh - \$400.0K; Enterprise Core Network Refresh - \$1,965.9K

APPENDIX 8: RETHINKING WORKSPACE AT THE ISO



Overview

- The primary office space for the ISO workforce in Holyoke has remained materially the same for approximately twenty years
- The ISO's Holyoke Campus was designed and built in 2003 - 2007; it was designed to support a headcount of 560
 - Holyoke campus currently has 603 work points (offices and workstations) plus 35 collaboration spaces and 564 parking spaces, including visitor parking
- The ISO's Windsor Campus was built in 2012 and has a seating capacity for 150
- Continued maintenance on aging building (facilities workplan)



FTE Data

Current authorized headcount

746.5

Work points (offices and workstations) at Holyoke

603

	Fully				
	Total	Remote	Ctrl Rm	Holyoke	Windsor
Employees as of March 2025	687	43	22	513	109
Open Positions, per staffing rpt 3-25-25	60	0	0	51	9
	747	43	22	564	118
Interns working spring 2025	6			6	
Interns over summer	25			25	
Consultants - 83 active staff augmentation assuming 50% hybrid vs fully remote.	41			41	
As of end of 2025	819	43	22	636	118
Less 6% budgeted vacancy				-38	
Max seating needed at peak days, in the office for 2025				597	
As of end of 2025	819	43	22	636	118
Expected increase in Headcount in 2026	24			17	7
As of end of 2026	843	43	22	653	125
Less 5.5% budgeted vacancy				-36	
Max seating needed at peak days, in the office for 2026				617	
As of end of 2026	843	43	22	653	125
Bring System Planning back onto one campus				81	-81
Estimated increase in Headcount by 2028/2029	60			60	
As of end of 2028/2029	903	43	22	794	44
Less 5% budgeted vacancy	-42			-40	-2
Max seating needed at peak days, in the office for 2028/2029	796			754	42

Challenges with the current Holyoke campus

- ISO believes there is a need to address a redesign or new build at the Holyoke campus to accommodate the larger workforce needed to meet the region's needs
- Several factors had triggered a review on how we utilize office space in Holyoke
 - Current seating constraints (e.g., limited seating space for authorized headcount increases for certain Departments; increasing need for collaborative working spaces)
 - Expectation of continued strategic growth in the workforce in the near term and the next 5-10 years
 - Parking constraints associated with growth
 - Newer workforce and need to be on campus for training and collaboration
 - Many current and future projects contain complex designs with cross functional team involvement
 - We conducted a preliminary study that accounted for 900 employees (leaving the parking constraint unsolved) that would take approximately 2-3 years either renovating existing building to an activity-based concept or developing a new building, both at a cost estimate of \$50M; by deferring this effort for a couple of years, we would expect the cost estimate to increase

Changes made since 2024

- First Stage is complete
 - Leased the adjacent property to the Holyoke campus – quickly solves for the parking constraints (significant open land exists) and offers a hedge on utilizing the building itself
 - Lease was signed on July 2024; annual cost approximately \$225,000, included in the 2025 budget
 - Lease contains an option to purchase
 - Completed environmental testing to ensure the land was usable
 - Develop and update annually a 3-year Facilities Plan that will evolve to meet the organizations needs; consider steady ongoing improvements and refurbishment of the buildings over a span of many years
 - Relocated approximately 80 employees in the System Planning department to the Windsor campus; the Windsor facility will be able to accommodate System Planning near-term growth
 - Some investment was required at the Windsor campus such as upgrades to add audio visual capabilities in conference rooms, upgrades to wireless technology, the replacement of the current guard building, and updates to the kitchen facilities; we incurred additional cost to cover mileage and other miscellaneous expenses for employees required to move
 - Reprogram the Holyoke Campus with the vacancy of approximately 80 employees

Potential Next Steps

ISO believes that the integrated nature of the work promotes the need for one campus and collaboration is one of our five core values

- Second Stage
 - Engage architects/engineering firm to develop pricing and plans for the adjacent property to the Holyoke campus (if the lease purchase option is executed)
- Third Stage
 - Obtain tax-exempt bond financing for construction of building
 - Tax-exempt bond for Holyoke campus for \$45.5M will expire in February 2032; the building construction is amortized over the life of the bonds and collected via depreciation for which the collection is used to pay the principal payments
 - Payment for the proposed new building (estimated cost of \$50M) would begin when the building is completed and in production, and therefore would not impact revenue requirements until such time
 - While there will be a temporary increase in depreciation from the time the new building goes into production until 2031, the long run net impact to the revenue requirement will be relatively small

APPENDIX 9: EMERGING WORK ALLOWANCE & PURCHASING POLICIES AND CONTROLS



Emerging Work Allowance

- ISO New England does not have “equity” or reserves to utilize but must fund unforeseen and newly defined work that arises after the budget is established
- The CEO Emerging Work Allowance (the Fund) is used to fund requests for required activities that were not specifically funded in the original budget and changes to initial cost estimates
- A risk is recorded on the Risks and Opportunities Report (R&O Report) when (i) unbudgeted new work is identified, or (ii) when staff becomes aware that budgeted work may exceed the original estimate; likewise, when potential savings on a budgeted item are anticipated, an opportunity is identified
- The R&O report contains information about the item and the probability of the occurrence of the item and is updated at least monthly

Emerging Work Allowance – Process for Deposits and Withdrawals

- Purpose of This Process: 1. Accuracy: Ensuring that the financial forecast remains up to date and realistic as circumstances evolve. 2. Financial Oversight: Ensuring that any movements of funds (deposits or withdrawals) are justified and documented properly. 3. Transparency & Accountability: Establishing a clear process for reviewing and approving financial decisions that impact the company's budget and cash flow.
- During the quarterly updates to the forecasts, cost center managers review the current forecast to determine the continued accuracy of their forecasts for the subsequent six months and will integrate into their updated forecasts highly probable risks or savings that may have been previously identified on the R&O report or may be newly defined
- An explanation is required by the cost center manager for why amounts are being deposited to the Fund (from savings identified) or why there is a need for a withdrawal from the Fund
- All information pertaining to potential deposits to the Fund or withdrawals from the Fund, stemming from the updated quarterly forecast, is compiled and the detail is reviewed by the budget team and the Director, Accounting for reasonableness and/or the need for additional explanation and approved by the CFO and CEO



Purchasing Policies and Controls

- The Company has established a Purchasing Policy with guidelines to follow when committing the funds of the ISO to any vendor, including the placing and handling of purchase orders, requests for proposals and quotes, contracts, and approval limits
- The Purchasing Department is responsible for all purchasing decisions related to materials, equipment, and services
- The Purchasing Department works to minimize costs of purchased goods and services where possible, while maximizing quality
- All purchases require a fully approved purchase order unless a specific exception is noted in the Purchasing Policy (e.g., utility bills and regulatory fees); regardless of whether a purchase is exempt from the purchase order requirement, a rigorous review of the validity and accuracy of the charges is performed
- The Purchasing Department is the only department authorized to purchase goods and/or services for the ISO and all contracts must be approved by the ISO legal department (with limited exceptions)
- The Purchasing Policy is available on the ISO's website

APPENDIX 10: 2026-2029 PRO-FORMA STATEMENTS



2026 - 2029 Pro-Forma Budgets

(Dollars in Millions)	2026	2027	2028	2029
Operating Budget ⁽¹⁾	\$291.7	\$314.0	\$323.4	\$333.1
Capital Project Budget	\$42.5	\$44.5	\$46.5	\$48.5
Total	\$334.2	\$358.5	\$369.9	\$381.6
Operating ⁽¹⁾	\$291.7	\$314.0	\$323.4	\$333.1
Depreciation ⁽¹⁾	\$38.2	\$43.9	\$44.7	\$47.3
True-Up	\$(15.6)	\$(1.0)	\$(1.0)	\$(1.0)
Revenue Requirement	\$314.4	\$356.8	\$367.1	\$379.4
TWh Forecast ⁽²⁾	124.7	125.9	127.5	129.2
\$/KWh Rate	\$0.00252	\$0.00283	\$0.00288	\$0.00294

(1) 2027 – 2029 assumes an inflationary increase in Operating costs, however, there is no inflationary increase for interest expense and interest income, and the budgets do not contemplate new mandated activities, or the potential for uncertainties in implementation complexity for existing initiatives (e.g. the new System Planning activities and the Prompt/Seasonal capacity market).

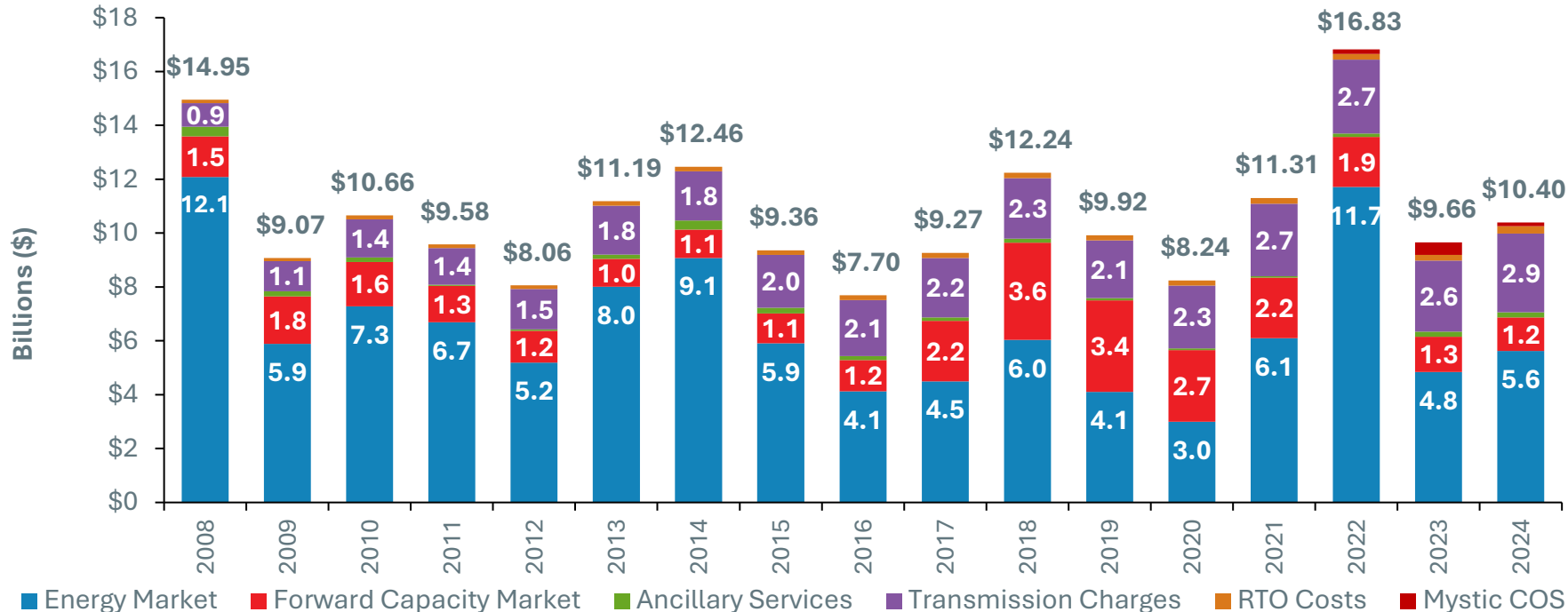
(2) For 2026 – 2029, the May 2025 CELT Report was used.

APPENDIX 11: NEW ENGLAND WHOLESALE ELECTRICITY COSTS AND RETAIL ELECTRICITY RATES



New England Wholesale Electricity Costs*

Annual wholesale electricity costs have ranged from \$7.7 billion to \$16.8 billion



(The total costs for each year include Ancillary Services and RTO costs)

Source: ISO New England; *2024 data is preliminary and subject to resettlement

Note: Forward Capacity Market values shown are based on auctions held roughly three years prior to each calendar year.

New England Wholesale Electricity Costs^(a)

	2020		2021		2022		2023		2024**	
	\$ Mil.	¢/kWh	\$ Mil.	¢/kWh	\$ Mil.	¢/kWh	\$ Mil.	¢/kWh	\$ Mil.	¢/kWh
Wholesale Market Costs										
Energy (LMPs)^(b)	\$2,996	2.4	\$6,101	4.8	\$11,712	9.0	\$4,847	3.9	\$5,624	4.4
Ancillaries^(c)	\$62	0.1	\$52	0.0	\$124	0.1	\$183	0.1	\$183	0.1
Capacity^(d)	\$2,662	2.2	\$2,243	1.8	\$1,864	1.4	\$1,308	1.1	\$1,248	1.0
Subtotal	\$5,720	4.7	\$8,404	6.6	\$13,701	10.5	\$6,338	5.1	\$7,054	5.5
Transmission charges^(e)	\$2,331	1.9	\$2,688	2.1	\$2,739	2.1	\$2,640	2.1	\$2,931	2.3
RTO costs^(f)	\$191	0.2	\$216	0.2	\$214	0.2	\$214	0.2	\$275	0.2
	Mystic Cost of Service Agreement				\$173	0.1	\$465	0.4	\$139	0.1
Total	\$8,242	6.7	\$11,308	8.9	\$16,828	13.0	\$9,657	7.8	\$10,399	8.2

(a) Average annual costs are based on the 12 months beginning January 1 and ending December 31. Costs in millions = the dollar value of the costs to New England wholesale market load servers for ISO-administered services. Cents/kWh = the value derived by dividing the dollar value (indicated above) by the real-time load obligation. These values are presented for illustrative purposes only and do not reflect actual charge methodologies. ***The wholesale values for 2024 are preliminary and subject to resettlement.**

(b) Energy values are derived from wholesale market pricing and represent the results of the Day-Ahead Energy Market plus deviations from the Day-Ahead Energy Market reflected in the Real-Time Energy Market.

(c) Ancillaries include first- and second-contingency Net Commitment-Period Compensation (NCPC), forward reserves, real-time reserves, regulation service, and a reduction for the Marginal Loss Revenue Fund.

(d) Capacity charges are those associated with the Forward Capacity Market (FCM).

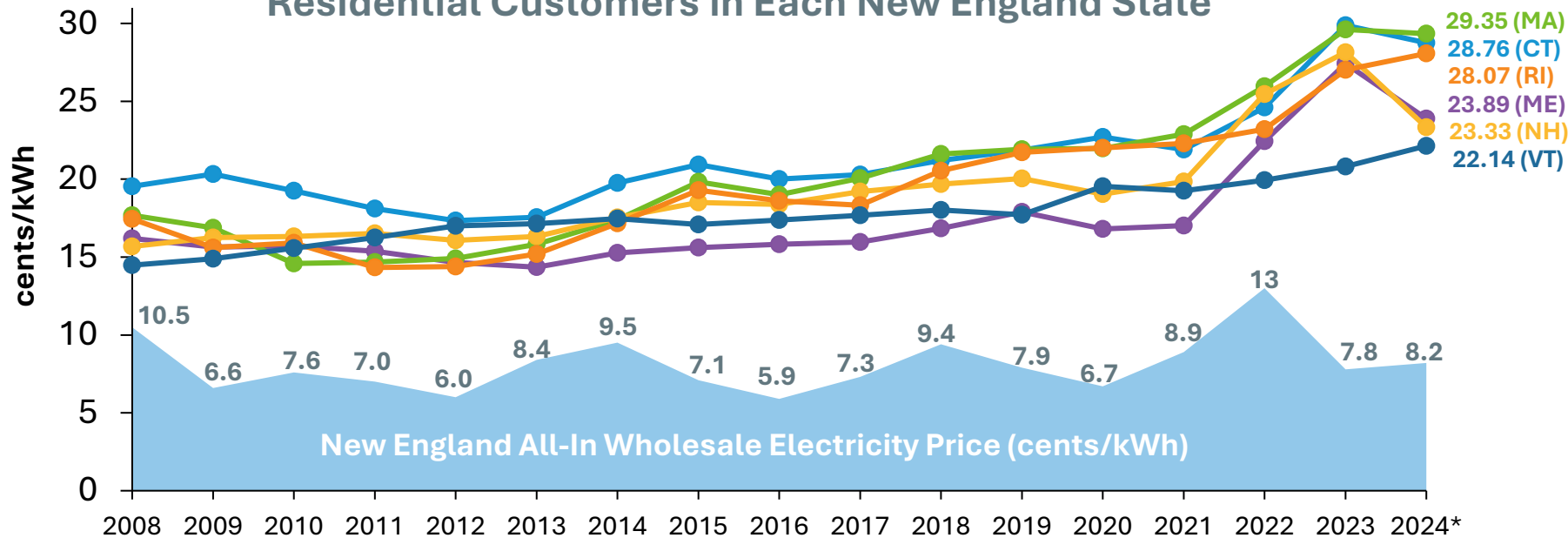
(e) Transmission charges reflect the collection of transmission owners' revenue requirements and tariff-based reliability services, including black-start capability, voltage support, and FCM reliability.

(f) RTO costs are the costs to run and operate ISO New England and are based on actual collections, as determined under Section IV of the *ISO New England Inc. Transmission, Markets, and Services Tariff*.

** 2024 figures are preliminary

Retail Electricity Prices Follow Wholesale Prices, But Are Also Influenced by Individual State Policies

Annual Average Price of Electricity for Residential Customers in Each New England State



Sources: U.S. Energy Information Administration, *Electric Power Annual*, Table 2.10 Average Price of Electricity to Ultimate Customers by End-Use Sector, by State; and U.S. Energy Information Administration, *Electric Power Monthly*, Table 5.6.B Average Price of Electricity to Ultimate Customers by End-Use Sector, by State (Through Dec. 2024); the New England all-in wholesale electricity price is derived by dividing total wholesale electricity costs by real-time load obligation (presented for illustrative purposes; does not reflect actual charge methodologies) *2024 values are preliminary

APPENDIX 12: ISO/RTO FINANCIAL COMPARISON



Financial Results Summary

ISO/RTO Financial Summary - 2024 Actual Results

Operating Expense and Capital Expenditures for Calendar Year 2024, and Outstanding Debt as of December 31, 2024 ⁽¹⁾

(Amounts in Millions)

	ISO-NE ⁽²⁾	PJM	NYISO	CAISO	IESO ⁽³⁾	MISO	SPP	ERCOT
Operating Expense - 2024	\$ 264.6	\$ 498.1	\$ 256.2	\$ 288.5	\$ 299.4	\$ 515.7	\$ 285.6	\$ 330.0
Less: Amortization & Depreciation	(31.6)	(38.7)	(22.1)	(27.4)	(25.6)	(35.0)	(17.8)	(43.6)
Regulatory Fees	(8.0)	(111.4)	(18.3)	-	-	(76.1)	(36.2)	-
Grant Expenses	-	-	-	-	-	-	-	-
Net Operating Expense - 2024	\$ 225.0	\$ 348.0	\$ 215.8	\$ 261.1	\$ 273.8	\$ 404.7	\$ 231.5	\$ 286.5
Other Financial Data								
Capital Expenditures for 2024	\$ 29.6	\$ 45.6	\$ 14.8	\$ 35.1	\$ 79.3	\$ 35.4	\$ 23.4	\$ 48.6
Outstanding Debt as of 12/31/24	\$ 108.3	\$ 2.2	\$ 81.5	\$ 147.9	\$ 277.0	\$ 274.4	\$ 101.3	\$ 2,457.0
Actual full-time equivalent headcount as of 12/31/24	670.5	844.0	628.0	733.0	978.0	1117.0	828.0	954.0

(1) Applicable amounts were taken from each entity's 2024 audited financial statements.

(2) ISO-NE Amortization & Depreciation and Capital Expenditures are presented on a cash-flow basis

(3) Amounts are in Canadian dollars

APPENDIX 13: 2023 AND 2024 ACTUAL TO BUDGET VARIANCE ANALYSIS



ISO New England Actual-to-Budget Variance Analysis for 2023 and 2024

The following pages provide actual-to-budget variance analysis for 2023 and 2024. The information provided includes overall results, a table that breaks down salary into base salaries and wages, overtime wages, incentive or bonus payments, and each employee benefit program with an annual cost greater than \$200,000. Professional fees and consultant costs are stated separately by department, and an explanation is provided for each variance in excess of \$1,000,000.

Amounts in the tables below are in thousands.

2023 (Overall Results)

<u>Description</u>	2023 Actual	2023 Original Budget	Variance Inc/(Dec)
Operating Expense			
Salaries and Overheads	\$ 137,317.5	\$ 134,702.1	2,615.4
Professional Fees & Consulting	19,743.7	21,600.9	(1,857.2)
Professional Fees & Consulting - Legal	2,456.7	3,334.5	(877.8)
Building Services	3,339.2	3,122.5	216.7
Rents & Leases	719.3	897.6	(178.4)
Network Operations	3,138.4	3,269.9	(131.5)
Computer Services	20,469.2	20,397.8	71.5
Data Services & Office Expenses	1,628.0	2,015.1	(387.1)
Insurance Expense	2,927.0	3,140.2	(213.1)
Board of Directors Expense	1,542.9	1,516.5	26.4
Meeting & Related Expenses	989.9	1,272.4	(282.5)
Education & Training	1,032.1	1,326.9	(294.8)
Taxes, Permits, Licenses & Fees	235.3	193.9	41.4
Total Operating Expense	195,539.4	196,790.3	(1,251.0)
Revenues, Other Income	(2,055.4)	(694.4)	(1,361.0)
Operating Expenses net of Revenue	193,484.0	196,096.0	(2,612.0)
CEO Emerging Work Allowance	-	2,000.0	(2,000.0)
Board Contingency	-	700.0	(700.0)
NPCC/NERC Dues & Expense	7,277.3	7,296.4	(19.1)
Interest Expense	2,834.2	3,137.5	(303.3)
Net Expense Before Depreciation	203,595.5	209,229.9	(5,634.4)
Depreciation Expense	30,034.2	30,915.3	(881.1)
Gain/Loss on Fixed Asset Disposal	21.5	60.0	(38.5)
Total Depreciation and Debt Services	30,055.7	30,975.3	(919.6)
Total Expense for ACT Recovery	\$ 233,651.2	\$ 240,205.2	(6,553.9)

2023 (Salaries & Burden)

<u>Description</u>	<u>Actual 2023 Expense</u>	<u>Approved Budget 2023</u>	<u>Incr/(Dec)</u>
Salaries and Wages - Base	\$ 85,725.0	\$ 85,304.6	\$ 420.4
Salaries and Wages - Overtime	3,210.5	2,662.6	547.9
Salaries and Wages - Incentive/Bonus	15,389.0	14,224.8	1,164.2
Employee Benefits - Pension	11,905.2	11,149.2	756.0
Employee Benefits - Post-Ret Benefits	739.2	927.8	(188.6)
Employee Benefits - Health Insurance	8,468.3	8,473.4	(5.1)
Employee Benefits - Dental Insurance	523.6	508.5	15.0
Employee Benefits - 401(K) Match	3,342.4	3,567.0	(224.6)
Salary Burden - Payroll Taxes	7,346.4	7,205.8	140.7
Other Benefit/Burden <\$200K	667.9	678.4	(10.6)
Total Salaries & Burden Expense	\$ 137,317.5	\$ 134,702.1	\$ 2,615.3

2023 (Professional Fees)

<u>Department</u>	<u>2023 Actual</u>	<u>2023 Original Budget</u>	<u>Variance Inc/(Dec)</u>
System Operations & Market Admin.	\$ 732.2	\$ 873.0	\$ (140.8)
System Planning	2,530.4	2,120.6	409.8
Market Monitoring	276.1	730.0	(453.9)
Information Technology	7,238.3	8,944.1	(1,705.8)
Market Development & Settlements	2,062.3	2,047.5	14.8
Human Resources	2,354.2	2,093.7	260.5
Finance Operations	1,050.0	702.6	347.4
Internal Audits	1,056.1	1,032.3	23.8
Corp Comm and Public Affairs	726.9	717.2	9.7
Advance Technology Solutions	1,507.9	1,530.0	(22.1)
All Other	209.3	810.0	(600.7)
Total	19,743.7	21,600.9	(1,857.2)
 Legal Professional Fees	 2,456.7	 3,334.5	 (877.8)
Total Professional Fees	\$ 22,200.4	\$ 24,935.4	\$ (2,735.0)

2023 Actual vs. Budget variance explanations for items > \$1,000,000

- Salaries and Overheads were \$2,615,400 higher than the original budget. Significant increases included funding for higher incentive/bonus amounts for retention efforts of employees due to the labor market environment and higher turnover rate experienced in 2023 as well as increased overtime in some departments; these increases were partially offset by higher than forecasted vacancy and lower salary rates for new hires compared to previous incumbents.
- Professional Fees & Consulting were \$2,735,000 lower than the original budget. The Information Technology Segment was \$1,705,800 lower primarily due to Energy Management System and other Information Technology consultant support that was reallocated for capital development work (nGEM and Day-Ahead Ancillary Services Improvements projects), lower rates for two Information Technology positions, and higher than forecasted vacancy for consulting in Information Technology and Participant Relations.
- Because ISO-NE is a non-profit organization with no equity available there is \$2,000,000 of funds (the “CEO Emerging Work Allowance”) built into the budget to cover unknown or unforeseen costs that emerge during the year. Additional funding needs can be created as a result of refined estimates for work, new activities, or changes in accounting estimates. Similarly, to the extent that these changes result in an “under” expenditure, the CEO Emerging Work Allowance is increased. Requests for funds from the Emerging Work Allowance are reviewed by senior management, and require CFO and CEO approval prior to the spending authorization. No actual amounts are charged to this line item as it is only used for budget/forecast purposes.

2024 (Overall Results)

<u>Description</u>	2024 Actuals	2024 Original Budget	Variance Inc/(Dec)
Operating Expense			
Salaries and Overheads	\$ 154,118.1	\$ 158,208.5	(4,090.5)
Professional Fees & Consulting	22,334.4	26,080.1	(3,745.8)
Professional Fees & Consulting - Legal	2,539.0	3,177.0	(638.0)
Building Services	3,421.1	3,430.3	(9.2)
Rents & Leases	1,144.5	780.8	363.8
Network Operations	3,855.9	3,652.1	203.8
Computer Services	24,115.3	25,372.8	(1,257.6)
Data Services & Office Expenses	1,793.2	2,257.3	(464.1)
Insurance Expense	3,261.9	3,393.8	(131.9)
Board of Directors Expense	1,527.6	1,606.5	(78.9)
Meeting & Related Expenses	1,606.4	1,511.4	95.0
Education & Training	1,148.0	1,332.0	(183.9)
Taxes, Permits, Licenses & Fees	256.5	240.4	16.1
Total Operating Expense	221,121.9	231,042.9	(9,921.0)
Revenues, Other Income	(2,363.2)	(917.2)	(1,446.0)
Operating Expenses net of Revenue	218,758.7	230,125.6	(11,367.0)
CEO Emerging Work Allowance	-	2,000.0	(2,000.0)
Board Contingency	-	700.0	(700.0)
NPCC/NERC Dues & Expense	8,047.8	8,052.4	(4.7)
Interest Expense	3,576.5	3,459.1	117.3
Net Expense Before Depreciation	230,382.9	244,337.2	(13,954.3)
Depreciation Expense	31,583.2	32,499.5	(916.2)
Gain/Loss on Fixed Asset Disposal	371.5	60.0	311.5
Total Depreciation and Debt Services	31,954.7	32,559.5	(604.8)
Total Expense for ACT Recovery	\$ 262,337.6	\$ 276,896.7	(14,559.1)

2024 (Salaries & Burden)

<u>Description</u>	<u>Actual 2024 Expense</u>	<u>Approved Budget 2024</u>	<u>Incr/(Dec)</u>
Salaries and Wages - Base	\$ 96,767.0	\$ 100,893.7	\$ (4,126.7)
Salaries and Wages - Overtime	3,367.9	2,763.5	604.4
Salaries and Wages - Incentive/Bonus	18,680.2	18,482.8	197.4
Employee Benefits - Pension	12,943.5	12,117.3	826.2
Employee Benefits - Post-Ret Benefits	614.0	961.4	(347.4)
Employee Benefits - Health Insurance	8,787.9	8,931.3	(143.4)
Employee Benefits - Dental Insurance	540.5	537.1	3.4
Employee Benefits - 401(K) Match	3,977.5	4,079.3	(101.8)
Salary Burden - Payroll Taxes	7,847.1	8,714.7	(867.6)
Other Benefit/Burden <\$200K	592.4	727.8	(135.4)
Total Salaries & Burden Expense	\$ 154,118.0	\$ 158,209.0	\$ (4,090.9)

2024 (Professional Fees)

<u>Department</u>	<u>2024 Actuals</u>	<u>2024 Original Budget</u>	<u>Variance Inc/(Dec)</u>
System Operations & Market Admin.	\$ 1,176.7	\$ 512.5	\$ 664.2
System Planning	3,274.0	4,162.7	(888.7)
Market Monitoring	404.0	794.5	(390.5)
Information Technology	9,023.8	9,509.5	(485.7)
Market Development & Settlements	1,463.2	2,992.5	(1,529.3)
Human Resources	2,283.6	2,493.3	(209.7)
Finance Operations	1,519.0	890.7	628.3
Internal Audits	1,391.9	1,183.5	208.4
Corp Comm and Public Affairs	601.5	671.9	(70.4)
Advance Technology Solutions	641.8	700.0	(58.2)
All Other	554.8	2,169.0	(1,614.2)
Total	22,334.3	26,080.1	(3,745.8)
Legal Professional Fees	2,539.0	3,177.0	(638.0)
Total Professional Fees	\$ 24,873.4	\$ 29,257.1	\$ (4,383.8)

2024 Actual vs. Budget variance explanations for items > \$1,000,000

- Salaries and Overheads were \$4,091,000 lower than the original budget. Significant decreases included higher than forecasted vacancy, timing of equity and promotion increases including impact of implementing compensation survey data changes, lower salary rates for new hires compared to previous incumbents, lower merit and promotional funds due largely to correction in the allocation of funds to capital development/reimbursable studies, lower Post-Retirement Medical and Dental Contributions based on actuarial updates; these decreases were partially offset by increased overtime in some departments, as well as some early 2025 hires.
- Professional Fees & Consulting were \$3,745,800 lower than the original budget. Significant decreases include the reduction of funds for prompt/seasonal capacity market assessment work due to the work previously being accelerated into the second half of 2023, removal of FCM parameter updates and other auction related costs due to the FERC approved two-year auction delay, removal of Medium-Term Energy Adequacy consultant funding, higher vacancy for consultants augmenting Information Technology staff, and reductions in the costs of several System Planning studies due to quotes coming in less than estimated. Increases, partially offsetting the decreases, include the addition of a northeast gas study being done in coordination with the Northeast Power Coordinating Council, a study to establish “facility out” transfer capability for operation of the Northern New England power system with the planned New England Clean Energy Connect (NECEC) project, ESG Reporting work that started later than expected in 2023 and carried over to 2024, funding for consultants to assist with the relocation of some ISO staff from Holyoke to our Windsor campus, and funding for FinOps managed services that will monitor our cloud operations to increase cloud efficiency in a cost effective manner.
- Computer Services were \$1,257,600 lower than the original budget. Decreased expenses include the removal of 2024 maintenance costs for our current Enterprise Resource Planning (ERP) system due to our vendor waiving these fees during the development and conversion to their current platform that is in process as part of the ERP System Replacement project; the non-renewal for end of life products no longer being utilized and/or being replaced including various data domain, storage hardware, backup analytics, and infrastructure items; lower Energy Management and Market System as-needed support; and savings based on actual quotes on renewals across several products. The reduced costs were partially offset by an increase due to new software maintenance from the 2023 capital purchase of firewall maintenance under the CIP Electronic Security Perimeter Redesign Phase II project; a control room recording system being moved from Network Operations to Computer Services, where it is more appropriately classified; and the addition of licensing fees for short-term load forecasting.
- Because ISO-NE is a non-profit organization with no equity available there is \$3,000,000 of funds (the “CEO Emerging Work Allowance”) built into the budget to cover unknown or unforeseen costs that emerge during the year. Additional funding needs can be created as a result of refined estimates for work, new activities, or changes in accounting estimates. Similarly, to the extent that these changes result in an “under” expenditure, the CEO Emerging Work Allowance is increased. Requests for funds from the Emerging Work Allowance are reviewed by senior management, and require CFO and CEO approval prior to the spending authorization. No actual amounts are charged to this line item as it is only used for budget/forecast purposes.

Questions

