



# Review 2024 Short-Term Incentive Plan Goals

Advisory Committee

September 13, 2023

# MISO's Short-Term Incentive (STI) Plan philosophy emphasizes our commitment to customer service and reliability

- The Executive Rewards Philosophy lays out the purpose of incentive plans and goals
- Annual incentive opportunities will be based on the major areas of organization focus (e.g., operations, customer service, strategic initiatives, etc.)
- Given MISO's paramount goal of reliability, operational excellence is the core foundation of the annual incentive plan; however, the accomplishment of strategic initiatives in support of reliability is also strongly emphasized in the plan
- Behaviors and core values are expected as a baseline level of performance; consequently, annual incentive awards will be based on progress toward and achievement of results

# Stakeholders are key to successfully meeting our strategic objectives and their feedback is essential to ensuring our STI plan is effective



- Goals and targets are established using historical data and typically represent incremental performance improvements and the establishment of milestone objectives for key strategic initiatives

- MISO has received limited but substantial input from stakeholders over the years
- Incentive goals have been amended or clarified based on this feedback








- The Board reviews the goals for a balance between stretch achievements and attainable results

# The Short-Term Incentive (STI) Plan development process kicks off in July with a request for stakeholder feedback; draft plan proposal is delivered to the Board in December

| 2024 Date/Meeting                                    | Review Items  |
|--|---|
| ✓ <b>July</b> Advisory Committee                     | Initial request for feedback on the STI Plan structure is made with written feedback due in August.                                       |
| ✓ <b>September</b> Human Resources Committee Meeting | MISO Management proposal of STI Plan structure, metrics and weighting is presented.   |
| <b>September</b> Advisory Committee Meeting          | MISO presents a draft of the 2024 STI Plan and discusses the structure & approach with the Committee. Written feedback is due in October. |
| <b>December</b> Human Resources Committee Meeting    | Final draft of STI Plan delivered along with responses to stakeholder comments.   |

# Summary of changes for 2024

## Operational Metrics (70%)

-  **Reliability & Security (20%)**  
Recommend Reliability has more weight to overall score, some language changes, adjusting methodology & updating security initiatives
-  **Compliance (10%)**  
Separate Compliance out as a standalone metric; recommend adjusting measurement methodology and adding initiatives to further our culture of compliance
-  **Unit Commitment Efficiency (10%)**  
Recommend new targets based on Independent Market Monitor recommendations and changing operating environment
-  **Market Funding Efficiency (10%)**  
Recommend moving to a monthly absolute value calculation to transparently assess accuracy of processes
-  **System Availability (5%)**
-  **Financial Control (10%)**
-  **Customer Experience (5%)**  
Recommend increasing the weight of Customer Relationship Index to 5% and removing Customer Interaction Index but continuing to monitor internally to help drive our 5-year plan

## Strategic Elements (30%)

-  **All will have new initiatives**

 *Proposed changes*    *No changes proposed*

# MISO invites stakeholders to review and comment on the posted incentive goals and metrics for 2024

- Full 2024 Short-Term Incentive Plan proposal, originally presented to the Human Resources Committee of the Board, is included in the appendix of this presentation
- Written comments are due back by **Friday, October 6, 2023**
- Comments will be considered and changes may be incorporated into the final draft of the plan to be reviewed by the Human Resources Committee of the Board during the December meeting
- Feedback requests and responses are managed through the **Feedback Tool** on the MISO website:

[misoenergy.org/stakeholder-engagement/stakeholder-feedback/](https://misoenergy.org/stakeholder-engagement/stakeholder-feedback/)

# Appendix

## *2024 Short-Term Incentive Plan Proposed Goals*

*Presented in the Human Resources Committee  
meeting on September 12, 2023*

# 2024 Recommended Incentive Goals & Metrics

|                     |                               | Weight             | Threshold             | Target             | Excellent              |
|---------------------|-------------------------------|--------------------|-----------------------|--------------------|------------------------|
| OPERATIONAL METRICS | 1. Reliability & Security     | <del>25%</del> 20% | <del>12.5%</del> 2.5% | <del>25%</del> 20% | <del>37.5%</del> 22.5% |
|                     | 2. Compliance                 | 10%                | 5%                    | 10%                | 15%                    |
|                     | 3. Unit Commitment Efficiency | 10%                | 5%                    | 10%                | 15%                    |
|                     | 4. Market Funding Efficiency  | 10%                | 5%                    | 10%                | 15%                    |
|                     | 5. System Availability        | 5%                 | 2.5%                  | 5%                 | 7.5%                   |
|                     | 6. Financial Control          | 10%                | 5%                    | 10%                | 15%                    |
|                     | 7. Customer Experience        | <del>10%</del> 5%  | <del>5%</del> 2.5%    | <del>10%</del> 5%  | <del>15%</del> 7.5%    |
| STRATEGIC ELEMENTS  | 8.1 Market Redefinition       | 7.5%               | 5%                    | 7.5%               | 10%                    |
|                     | 8.2 Operations of the Future  | 7.5%               | 5%                    | 7.5%               | 10%                    |
|                     | 8.3 Transmission Evolution    | 7.5%               | 5%                    | 7.5%               | 10%                    |
|                     | 8.4 System Enhancements       | 7.5%               | 5%                    | 7.5%               | 10%                    |
| TOTAL PLAN SCORE    |                               | 100%               | <del>55%</del> 47.5%  | 100%               | <del>145%</del> 137.5% |

# 1 | Reliability & Security

## Recommended language changes and additional metrics

| Weight  | Performance Requirements   |   |  |
|---|--|---|--|
|   | Threshold  | Target  | Excellent  |
| <b>1.a. Reliability &amp; Compliance</b><br><del>20%</del> -15% | Review reliability performance associated with key NERC standards: Control Performance Standard 1 (CPS1) and Balancing Authority ACE Limit (BAAL), Reportable Balancing Contingency Event (RBCE) violations caused by MISO Balancing Authority and zero violations to the Interconnection Reliability Operating Limits (IROL) <sup>1</sup> |   |  |
|   | Compliant with CPS1 and BAAL, zero RBCE violations caused by MISO Balancing Authority and zero violations (IROL) <sup>1</sup>  |   | Compliant with CPS1, zero RBCE violations caused by MISO Balancing Authority, take measures to prevent BAAL and IROL and if events arise, resolve in a timeline 10% faster than set by NERC for BAAL and IROL <sup>1</sup> |
| <b>1.b. Security Initiatives</b><br>5%                          | Implement plans to secure MISO assets which will be reviewed and approved by the Technology Committee.   |   |  |
|   | Successfully implement one 2024 initiative enhancing system security   | Successfully implement two 2024 initiatives enhancing system security | Successfully implement three 2024 initiative enhancing system security   |

<sup>1</sup> Control Performance Standard 1 (CPS1) is a rolling 12-month measure of performance. This metric requires MISO to be compliant for each 12-month period throughout the year. Balancing Authority ACE Limit (BAAL) is measured in real-time, and any exceedance of BAAL limits for greater than 30 minutes is a violation. A violation of Interconnection Reliability Operating Limits (IROL) is when we are unable to mitigate these observed conditions (loading of 125%) within the NERC defined period of 30 minutes.

## 2 | Compliance

*Recommend compliance be a standalone metric and adjusting measurement methodology*

| Weight                            | Performance Requirements  |  |  |
|-----------------------------------|---|--|--|
|                                   | Threshold   | Target   | Excellent  |
| 2.a. Compliance<br>5%             | Executives and Board of Directors (BoD) consider periodic reports received, including but not limited to compliance reports on NERC standards and FERC Tariff requirements and an overall assessment of our culture of compliance. The BoD considers all inputs (including executive management’s summary narrative) as part of their review and determination of a metric score rating overall |  |  |
|                                   | No more than 5 audit findings <sup>1</sup> resolved as high impact including all NERC and FERC audits (not including items self-reported <sup>2</sup> ).  | No more than 3 audit findings <sup>1</sup> resolved as high impact including all NERC and FERC audits (not including items self-reported <sup>2</sup> ). | No audit findings <sup>1</sup> resolved as high impact including all NERC and FERC audits (not including items self-reported <sup>2</sup> ). |
| 2.b. Compliance Initiatives<br>5% | Implement plans to enhance Compliance practices   |  |  |
|                                   | Successfully implement one 2024 initiative that will enhancing compliance   | Successfully implement two 2024 initiatives that will enhancing compliance   | Successfully implement three 2024 initiative that will enhancing compliance  |

**Guidance on Determining Performance:**

At the completion of the year, **the officers with oversight of the relevant areas** shall provide a full disclosure of all compliance matters impacting this goal to the Human Resources Committee of the Board and provide a recommendation on the severity and impact to the organization of any findings. The MISO Board of Directors will use this recommendation and their discretion to determine an appropriate impact on the incentive payout for this Goal.

<sup>1</sup>Audit findings are assessed for incentive plan in the year they are closed out by the auditing entity.

<sup>2</sup>No impact is assessed for self-reported items unless they are repeat violations within two years of closeout of prior violation, willful conduct, or resulted from a systemic failure to develop internal controls. The Board will be informed of all self-reports and the processing of self-reports by the relevant reliability entities.

NERC (North American Electric Reliability Corporation) / FERC (Federal Energy Regulatory Commission)



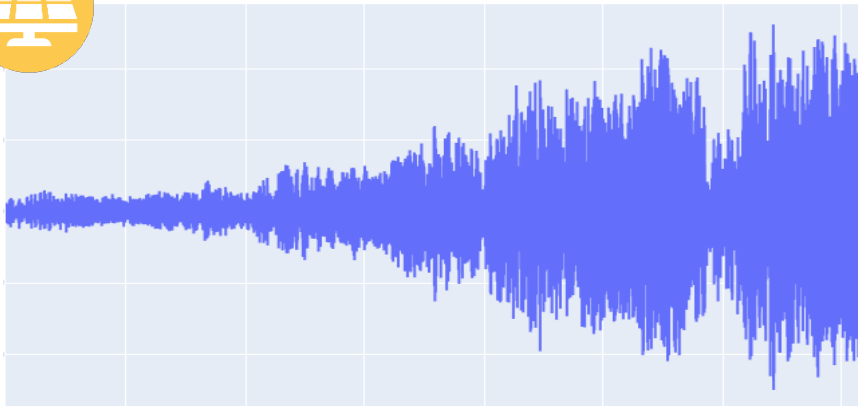
# 2024 Compliance initiatives focus on three areas of significant impact

2024 COMPLIANCE INITIATIVES

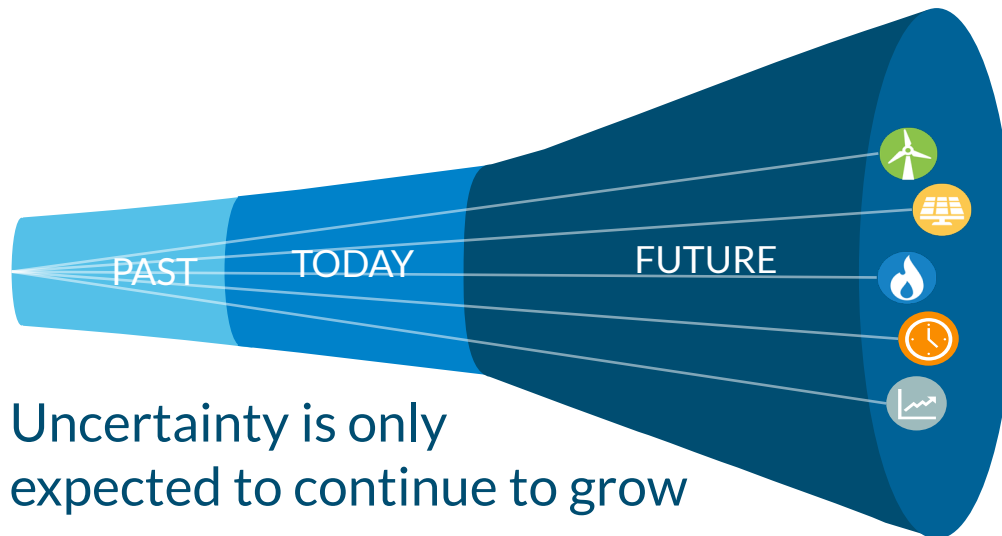
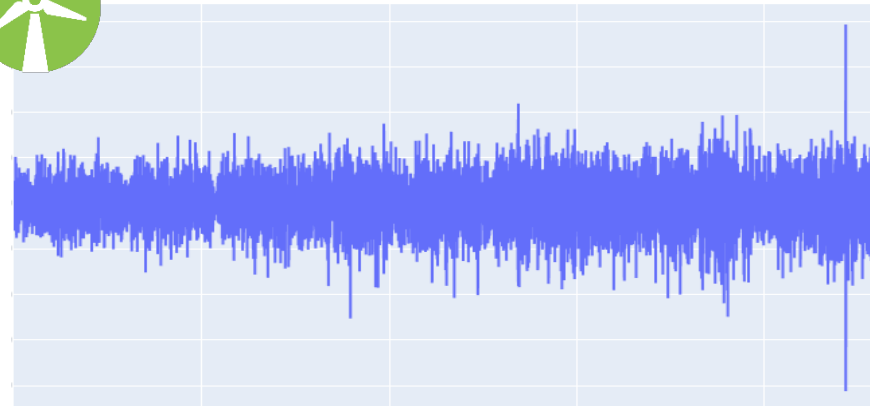
| Initiative                                    | Summary  | Project  | Deliverable   |
|---|--|--|---|
| 1. Enhanced Monitoring                        | The focus of this initiative is to provide a comprehensive approach to compliance assurance with NERC Standard Requirements and assess MISO's methods and internal controls effectiveness to achieve compliance. | NERC Standard Maturity Model   | Complete an assessment of Critical Infrastructure Protection (CIP) compliance dependent process gaps and risks. Based on findings, identify, develop, and test internal controls; internal controls governance; compliance oversight; and define and report recommendations for maturing compliance practices related to those Standards. |
|   |  | Risk-based Internal Controls Monitoring and Testing  |   |
| 2. Simplification of Compliance Practices     | The focus of this initiative is to re-examine NERC compliance scope methodologies to gain efficiencies and improve compliance posture for compliance oversight.  | Re-evaluating CIP scope and environment as we update and improve our key reliability and market systems. | Redefine criteria to determine assets that should be within the critical infrastructure protection environment and a roadmap to reclassify existing CIP assets as appropriate.  |
| 3. Tariff Regulatory Change Management (TRCM) | The focus of the initiative would be to improve the TRCM process by increasing Requirement Owner training to yearly.   | Yearly Requirement Owner training.   | 100% confirmed Tariff requirement ownership documented. Fully implement a new process to increase knowledge sharing Tariff filings.   |
|   |  | Quarterly check-in process.  |   |

# Wind and solar are two of several net load inputs whose variability is becoming increasingly challenging as the deployed magnitude grows

SOLAR VARIABILITY (2020-2023)



WIND VARIABILITY (2019-2023)



Uncertainty is only expected to continue to grow

Ongoing evaluation of our metrics is necessary to ensure MISO accurately measures performance and success in the increasingly volatile operating environment

Proposed Changes for 2024

**Unit Commitment  
Efficiency**

New targets based on Independent Market Monitor (IMM) recommendations and changing operating environment

**Market Funding  
Efficiency**

Move to a monthly evaluation scoring methodology to better evaluate processes

### 3 | Unit Commitment Efficiency (Real-Time Operations) *Recommend new targets*

| Weight | Historic Performance (backcast)   | Performance Requirements  |   |   |
|--------|---|---|---|---|
|        |   | Threshold   | Target  | Excellent   |
| 10%    | <ul style="list-style-type: none"> <li>The Optimal Dispatch Calculator tool measures the financial impact of commitment decisions.</li> <li>This metric is an objective measure that captures the dollar-based differences in actual commitment and dispatch costs compared to ideal and provides greater visibility into performance drivers.</li> </ul> | <p><del>93%</del> <b>87.5%</b> of ideal commitment and dispatch costs, annual cumulative.</p>   | <p><del>94.5%</del> <b>89.5%</b> of ideal commitment and dispatch costs, annual cumulative.</p> | <p><del>96%</del> <b>91.5%</b> of ideal commitment and dispatch costs, annual cumulative.</p> |
|        |   | <p>If there is a major operational event in 2024, we will report and discuss the impacts with the board and rely upon their discretion.</p> <p>During 2023, we have implemented system and calculation adjustments recommended by the IMM.</p> <p><i>Considering the implemented adjustments from the IMM made in 2023, we recommend setting 2024 performance requirements based on results of backcasting the metric</i></p> |   |   |

Guidance on Determining Performance:

This metric is designed to ensure MISO effectively commits generation in its forward and intraday processes to meet demand and mitigate constraints. The metric has been a part of the plan since 2007. Historically, the metric for Unit Commitment was developed using excess capacity as a proxy for efficiency. In 2020, MISO began using an enhanced metric, using data from the new Optimal Dispatch Calculator tool to measure the financial impact of commitment and dispatch decisions. MISO’s current metric is an objective, cost-based measure that captures the deviation from ideal commitment and dispatch to meet load reliably and efficiently and provides greater visibility into performance drivers.

Measured costs include 1) commitment and dispatch costs for energy, 2) ancillary services procurement and scarcity costs and 3) constraint management and violation costs. The metric will objectively compare the actual cost of MISO’s commitment and dispatch actions compared to optimal performance across the year, i.e., Actual Cost less Optimal Cost divided by Actual Cost. Performance against this metric will motivate efficient use of capacity and reduce uplift charges.



# 4 | Market Efficiency (Market Operations) *Propose changing calculation method*

| Weight   | Historic Performance  | Performance Requirements |        |           |   |      |    |      |   |      |   |      |   |          |   |  |  |   |
|--|---|--------------------------|--------|-----------|---|------|----|------|---|------|---|------|---|----------|---|--|--|---|
|  |   | Threshold                | Target | Excellent |   |      |    |      |   |      |   |      |   |          |   |  |  |   |
| 10%  | <table border="1"> <caption>Historic Performance Data</caption> <thead> <tr> <th>Year</th> <th>Score</th> </tr> </thead> <tbody> <tr> <td>2018</td> <td>9</td> </tr> <tr> <td>2019</td> <td>12</td> </tr> <tr> <td>2020</td> <td>8</td> </tr> <tr> <td>2021</td> <td>9</td> </tr> <tr> <td>2022</td> <td>8</td> </tr> <tr> <td>2023 YTD</td> <td>5</td> </tr> </tbody> </table> | Year                     | Score  | 2018      | 9 | 2019 | 12 | 2020 | 8 | 2021 | 9 | 2022 | 8 | 2023 YTD | 5 | <p><u>7</u> Months achieved Market Funding Efficiency scoring is at least 90%</p> <p>Market Funding Efficiency is at least 94.5%</p> | <p><u>8</u> Months achieved Market Funding Efficiency scoring is at least 90%</p> <p>Market Funding Efficiency is at least 96.5%</p> | <p><u>10</u> Months achieved Market Funding Efficiency scoring is at least 90%</p> <p>Market Funding Efficiency is at least 98.5%</p> |
|  |   | Year                     | Score  |           |   |      |    |      |   |      |   |      |   |          |   |  |  |   |
| 2018   | 9   |                          |        |           |   |      |    |      |   |      |   |      |   |          |   |  |  |   |
| 2019   | 12  |                          |        |           |   |      |    |      |   |      |   |      |   |          |   |  |  |   |
| 2020   | 8   |                          |        |           |   |      |    |      |   |      |   |      |   |          |   |  |  |   |
| 2021   | 9   |                          |        |           |   |      |    |      |   |      |   |      |   |          |   |  |  |   |
| 2022   | 8   |                          |        |           |   |      |    |      |   |      |   |      |   |          |   |  |  |   |
| 2023 YTD   | 5   |                          |        |           |   |      |    |      |   |      |   |      |   |          |   |  |  |   |
| <p>If there is a major operational event <b>or events</b> in 2024, we will report and discuss the impacts with the board and rely upon their discretion.</p> |   |                          |        |           |   |      |    |      |   |      |   |      |   |          |   |  |  |   |

A revised monthly approach to evaluate Financial Transmission Right (FTR) & Excessive Congestion Funding (ECF) allows MISO to highlight and incentivize improvements in both processes.

Guidance on Determining Performance:

The Market Funding Efficiency (MFE) metric is a monthly calculation to identify the absolute value of any Financial Transmission Right funding and Excessive Congestion Funding deviations which will be summed throughout the calendar year and measured against the Total FTR Target Credit. The metric is calculated as follows:

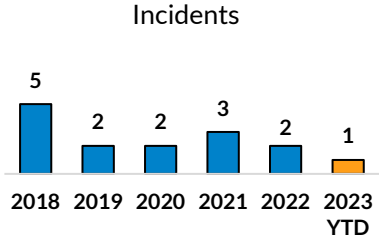
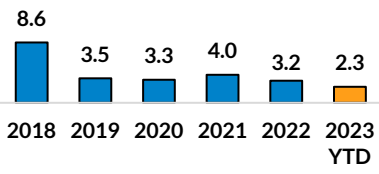
$$\text{Monthly Market Funding Efficiency} = (\text{FTR Target Credits} - \text{ABS}(\text{Financial Transmission Rights Deviation} + \text{Real Time Excess Congestion Charge Fund Deviation})) / \text{FTR Target Credits}$$

To calculate the Yearly MFE, the following performance measurement is utilized.

Each month with a score above 90% will count towards the performance requirement



# 5 | System Availability (Information Technology) No recommended changes

| Weight   | Historic Performance   | Performance Requirements |           |           |      |      |      |      |      |      |      |      |          |          |   |  |  |  |
|--|--|--------------------------|-----------|-----------|------|------|------|------|------|------|------|------|----------|----------|---|--|--|--|
|  |  | Threshold                | Target    | Excellent |      |      |      |      |      |      |      |      |          |          |   |  |  |  |
| 5%   | <p style="text-align: center;">Incidents</p>  <table border="1"> <caption>Incidents Data</caption> <thead> <tr> <th>Year</th> <th>Incidents</th> </tr> </thead> <tbody> <tr> <td>2018</td> <td>5</td> </tr> <tr> <td>2019</td> <td>2</td> </tr> <tr> <td>2020</td> <td>2</td> </tr> <tr> <td>2021</td> <td>3</td> </tr> <tr> <td>2022</td> <td>2</td> </tr> <tr> <td>2023 YTD</td> <td>1</td> </tr> </tbody> </table> | Year                     | Incidents | 2018      | 5    | 2019 | 2    | 2020 | 2    | 2021 | 3    | 2022 | 2        | 2023 YTD | 1   | <p>MISO critical services will have no more than 4 unplanned incidents exceeding 30 minutes (each) of unavailability per year.</p> | <p>MISO critical services will have no more than 3 unplanned incidents exceeding 30 minutes (each) of unavailability per year.</p> | <p>MISO critical services will have no more than 2 unplanned incidents exceeding 30 minutes (each) of unavailability per year.</p> |
|  | Year   | Incidents                |           |           |      |      |      |      |      |      |      |      |          |          |   |  |  |  |
| 2018   | 5  |                          |           |           |      |      |      |      |      |      |      |      |          |          |   |  |  |  |
| 2019   | 2  |                          |           |           |      |      |      |      |      |      |      |      |          |          |   |  |  |  |
| 2020   | 2  |                          |           |           |      |      |      |      |      |      |      |      |          |          |   |  |  |  |
| 2021   | 3  |                          |           |           |      |      |      |      |      |      |      |      |          |          |   |  |  |  |
| 2022   | 2  |                          |           |           |      |      |      |      |      |      |      |      |          |          |   |  |  |  |
| 2023 YTD   | 1  |                          |           |           |      |      |      |      |      |      |      |      |          |          |   |  |  |  |
| <p style="text-align: center;">Unavailability (Hours)</p>  <table border="1"> <caption>Unavailability (Hours) Data</caption> <thead> <tr> <th>Year</th> <th>Hours</th> </tr> </thead> <tbody> <tr> <td>2018</td> <td>8.6</td> </tr> <tr> <td>2019</td> <td>3.5</td> </tr> <tr> <td>2020</td> <td>3.3</td> </tr> <tr> <td>2021</td> <td>4.0</td> </tr> <tr> <td>2022</td> <td>3.2</td> </tr> <tr> <td>2023 YTD</td> <td>2.3</td> </tr> </tbody> </table> | Year   | Hours                    | 2018      | 8.6       | 2019 | 3.5  | 2020 | 3.3  | 2021 | 4.0  | 2022 | 3.2  | 2023 YTD | 2.3      | <p>Maximum total unplanned unavailability: 5 hours.</p> | <p>Maximum total unplanned unavailability: 4 hours.</p>  | <p>Maximum total unplanned unavailability: 3 hours.</p>  |  |
| Year   | Hours  |                          |           |           |      |      |      |      |      |      |      |      |          |          |   |  |  |  |
| 2018   | 8.6  |                          |           |           |      |      |      |      |      |      |      |      |          |          |   |  |  |  |
| 2019   | 3.5  |                          |           |           |      |      |      |      |      |      |      |      |          |          |   |  |  |  |
| 2020   | 3.3  |                          |           |           |      |      |      |      |      |      |      |      |          |          |   |  |  |  |
| 2021   | 4.0  |                          |           |           |      |      |      |      |      |      |      |      |          |          |   |  |  |  |
| 2022   | 3.2  |                          |           |           |      |      |      |      |      |      |      |      |          |          |   |  |  |  |
| 2023 YTD   | 2.3  |                          |           |           |      |      |      |      |      |      |      |      |          |          |   |  |  |  |

Guidance on Determining Performance:

2023 critical services: Energy Management System (EMS) and Day-Ahead Real Time (DART). To minimize business impact, the quantity and duration of major incidents will be limited.



# 6 | Financial Control *No recommended changes*

| Weight   | Historic Performance   | Performance Requirements |              |           |       |      |       |      |       |      |       |      |       |          |        |              |              |              |
|--|--|--------------------------|--------------|-----------|-------|------|-------|------|-------|------|-------|------|-------|----------|--------|--------------|--------------|--------------|
|  |  | Threshold                | Target       | Excellent |       |      |       |      |       |      |       |      |       |          |        |              |              |              |
| <p><b>Base Budget Variance</b></p> <p>5%</p>       | <table border="1"> <caption>Base Budget Variance Data</caption> <thead> <tr> <th>Year</th> <th>Variance (%)</th> </tr> </thead> <tbody> <tr> <td>2018</td> <td>1.3%</td> </tr> <tr> <td>2019</td> <td>-0.1%</td> </tr> <tr> <td>2020</td> <td>-2.9%</td> </tr> <tr> <td>2021</td> <td>-1.5%</td> </tr> <tr> <td>2022</td> <td>3.3%</td> </tr> <tr> <td>2023 YTD</td> <td>2.1%</td> </tr> </tbody> </table>         | Year                     | Variance (%) | 2018      | 1.3%  | 2019 | -0.1% | 2020 | -2.9% | 2021 | -1.5% | 2022 | 3.3%  | 2023 YTD | 2.1%   | ±1.5% budget | ±0.8% budget | ±0.5% budget |
| Year   | Variance (%)   |                          |              |           |       |      |       |      |       |      |       |      |       |          |        |              |              |              |
| 2018   | 1.3%   |                          |              |           |       |      |       |      |       |      |       |      |       |          |        |              |              |              |
| 2019   | -0.1%  |                          |              |           |       |      |       |      |       |      |       |      |       |          |        |              |              |              |
| 2020   | -2.9%  |                          |              |           |       |      |       |      |       |      |       |      |       |          |        |              |              |              |
| 2021   | -1.5%  |                          |              |           |       |      |       |      |       |      |       |      |       |          |        |              |              |              |
| 2022   | 3.3%   |                          |              |           |       |      |       |      |       |      |       |      |       |          |        |              |              |              |
| 2023 YTD   | 2.1%   |                          |              |           |       |      |       |      |       |      |       |      |       |          |        |              |              |              |
| <p><b>Investment Budget Variance</b></p> <p>5%</p> | <table border="1"> <caption>Investment Budget Variance Data</caption> <thead> <tr> <th>Year</th> <th>Variance (%)</th> </tr> </thead> <tbody> <tr> <td>2018</td> <td>-0.6%</td> </tr> <tr> <td>2019</td> <td>0.7%</td> </tr> <tr> <td>2020</td> <td>1.2%</td> </tr> <tr> <td>2021</td> <td>-5.5%</td> </tr> <tr> <td>2022</td> <td>-8.8%</td> </tr> <tr> <td>2023 YTD</td> <td>-10.4%</td> </tr> </tbody> </table> | Year                     | Variance (%) | 2018      | -0.6% | 2019 | 0.7%  | 2020 | 1.2%  | 2021 | -5.5% | 2022 | -8.8% | 2023 YTD | -10.4% | ±6% budget   | ±5% budget   | ±3% budget   |
| Year   | Variance (%)   |                          |              |           |       |      |       |      |       |      |       |      |       |          |        |              |              |              |
| 2018   | -0.6%  |                          |              |           |       |      |       |      |       |      |       |      |       |          |        |              |              |              |
| 2019   | 0.7%   |                          |              |           |       |      |       |      |       |      |       |      |       |          |        |              |              |              |
| 2020   | 1.2%   |                          |              |           |       |      |       |      |       |      |       |      |       |          |        |              |              |              |
| 2021   | -5.5%  |                          |              |           |       |      |       |      |       |      |       |      |       |          |        |              |              |              |
| 2022   | -8.8%  |                          |              |           |       |      |       |      |       |      |       |      |       |          |        |              |              |              |
| 2023 YTD   | -10.4%   |                          |              |           |       |      |       |      |       |      |       |      |       |          |        |              |              |              |

Guidance on Determining Performance:

These goals are intended to promote the wise use of financial resources committed to MISO. The Base Operations Budget and Investments Budget goals measure our ability to complete scheduled work at scheduled costs. The focus is on accurate and predictable business planning and operations.

- Base Operations Budget for metric purposes = Base Operating Costs less incentive compensation and property taxes.
- Investments Budge for metric purposes = Operating plus Capital Projects.



# 7 | Customer Experience *Customer Interaction Index removed*

| Weight   | Historic Performance   | Performance Requirements |                 |           |     |      |     |      |     |      |     |          |     |   |   |   |
|--|--|--------------------------|-----------------|-----------|-----|------|-----|------|-----|------|-----|----------|-----|---|---|---|
|  |  | Threshold                | Target          | Excellent |     |      |     |      |     |      |     |          |     |   |   |   |
| <p><b>Customer Relationship Index</b></p> <p>2.5% 5%</p>   | <table border="1"> <caption>Customer Relationship Index Performance</caption> <thead> <tr> <th>Year</th> <th>Performance (%)</th> </tr> </thead> <tbody> <tr> <td>2019</td> <td>85%</td> </tr> <tr> <td>2020</td> <td>81%</td> </tr> <tr> <td>2021</td> <td>81%</td> </tr> <tr> <td>2022</td> <td>81%</td> </tr> <tr> <td>2023 YTD</td> <td>79%</td> </tr> </tbody> </table> | Year                     | Performance (%) | 2019      | 85% | 2020 | 81% | 2021 | 81% | 2022 | 81% | 2023 YTD | 79% | <p>81%77% of survey respondents, providing an average rating of 5 or better on a 7-point scale.</p> | <p>82%79% of survey respondents, providing an average rating of 5 or better on a 7-point scale.</p> | <p>83%81% of survey respondents, providing an average rating of 5 or better on a 7-point scale.</p> |
| Year   | Performance (%)  |                          |                 |           |     |      |     |      |     |      |     |          |     |   |   |   |
| 2019   | 85%  |                          |                 |           |     |      |     |      |     |      |     |          |     |   |   |   |
| 2020   | 81%  |                          |                 |           |     |      |     |      |     |      |     |          |     |   |   |   |
| 2021   | 81%  |                          |                 |           |     |      |     |      |     |      |     |          |     |   |   |   |
| 2022   | 81%  |                          |                 |           |     |      |     |      |     |      |     |          |     |   |   |   |
| 2023 YTD   | 79%  |                          |                 |           |     |      |     |      |     |      |     |          |     |   |   |   |
| <p>Rolling average questions focused on MISO value delivery.</p>   |  |                          |                 |           |     |      |     |      |     |      |     |          |     |   |   |   |
| <p><b>Customer Interaction Index</b></p> <p>7.5%</p>   | <table border="1"> <caption>Customer Interaction Index Performance</caption> <thead> <tr> <th>Year</th> <th>Performance (%)</th> </tr> </thead> <tbody> <tr> <td>2019</td> <td>83%</td> </tr> <tr> <td>2020</td> <td>86%</td> </tr> <tr> <td>2021</td> <td>84%</td> </tr> <tr> <td>2022</td> <td>84%</td> </tr> <tr> <td>2023 YTD</td> <td>81%</td> </tr> </tbody> </table>  | Year                     | Performance (%) | 2019      | 83% | 2020 | 86% | 2021 | 84% | 2022 | 84% | 2023 YTD | 81% | <p>84% of survey respondents, providing an average rating of 5 or better on a 7-point scale.</p>    | <p>85% of survey respondents, providing an average rating of 5 or better on a 7-point scale.</p>    | <p>86% of survey respondents, providing an average rating of 5 or better on a 7-point scale.</p>    |
| Year   | Performance (%)  |                          |                 |           |     |      |     |      |     |      |     |          |     |   |   |   |
| 2019   | 83%  |                          |                 |           |     |      |     |      |     |      |     |          |     |   |   |   |
| 2020   | 86%  |                          |                 |           |     |      |     |      |     |      |     |          |     |   |   |   |
| 2021   | 84%  |                          |                 |           |     |      |     |      |     |      |     |          |     |   |   |   |
| 2022   | 84%  |                          |                 |           |     |      |     |      |     |      |     |          |     |   |   |   |
| 2023 YTD   | 81%  |                          |                 |           |     |      |     |      |     |      |     |          |     |   |   |   |
| <p>Rolling average of overall scores from Customer Interaction surveys sent at the conclusion of customer inquiries. An inquiry is any request that a customer initiates to MISO for resolution.</p> |  |                          |                 |           |     |      |     |      |     |      |     |          |     |   |   |   |

Guidance on Determining Performance:

The Customer Relationship Index is intended to measure the value of MISO’s strategic relationship with our stakeholder community. In 2022, the customer relationship survey consisted of six questions focused on MISO’s ability to achieve the strategic vision and our commitment to partnership and flexibility. Responses to these questions are rated on a scale from 1 to 7 (1 being the least favorable response and 7 being the most favorable response). Response scores from 5 to 7 are scored as favorable. The survey is distributed on a quarterly basis, and the composite score is measured on a rolling 12-month average. In 2020, MISO received over 250 survey responses. In 2021, MISO received over 800 survey responses. In 2022, MISO received over 1,200 survey responses.

The Customer Interaction Index is intended to measure the stakeholder’s customer experience after a customer inquiry. An inquiry is any request that a customer initiates to MISO for resolution. There are several different types of customer interaction surveys, which are designed to ask questions about specific activities. We find the stakeholder responses to focused, targeted questions on MISO processes extremely valuable. Overall, the feedback we are receiving is measurable, specific and actionable. Responses to these questions are rated on a scale from 1 to 7 (1 being the least favorable response and 7 being the most favorable response). Response scores from 5 to 7 are scored as favorable.



## 8.1 | Reliability Imperative: Market Redefinition

| Weight | Description   | Required Performance  |                   |                      |
|--------|---|---|-------------------|----------------------|
|        |   | Threshold Complete 1  | Target Complete 2 | Excellent Complete 3 |
| 7.5%   | <p>Significant market enhancements, incentives and optimizations are needed to ensure continued reliability and value into the future.</p> <p>This Strategic Element is focused on four areas* of value delivery.</p> <ul style="list-style-type: none"> <li>Enhancing Coordination</li> <li>Identifying Locational Needs</li> <li><b>Developing Resource Models &amp; Capabilities</b></li> <li><b>Managing Uncertainty &amp; Variability</b></li> </ul> | <ol style="list-style-type: none"> <li>Evaluate and deliver a roadmap incorporating the Expected Unserved Energy (EUE) reliability metric.</li> <li>File FERC changes to our Value of Loss of Load (VOLL) and other pricing curves to improve pricing signals during scarcity conditions.</li> <li>Complete Reliability Based Demand Curve (RBDC) software development in preparation for implementing in the 2025 Planning Resource Auction. This implementation will better capture the reliability value of capacity.</li> </ol> |                   |                      |

Note: As we continue work to advance the attributes roadmap, we are evaluating an alternative deliverable in 2024 focused on enabling the participation of resources with critical and advanced characteristics. (Will define exact work deliverable upon roadmap completion in 2023.)

\*Not all areas will be reflected every year, but all are included in the overall five-year plan



## 8.2 | Reliability Imperative: Operations of the Future

| Weight | Description  | Required Performance  |                   |                      |
|--------|--|---|-------------------|----------------------|
|        |  | Threshold Complete 1  | Target Complete 2 | Excellent Complete 3 |
| 7.5%   | <p>Operations of the Future aims to ensure that MISO will have the right skills, processes and technologies needed to manage operations for the bulk electric system efficiently and reliably.</p> <p>This Strategic Element is focused on four areas* of value delivery.</p> <ul style="list-style-type: none"> <li>• <b>Uncertainty &amp; Variability</b></li> <li>• <b>Situational Awareness &amp; Critical Communications</b></li> <li>• <b>Operations Planning</b></li> <li>• Operations Preparedness</li> <li>• <b>Operational Continuity</b></li> </ul> | <ol style="list-style-type: none"> <li>1. Complete design and start development of initial phase of Centralized Outage Processing Roadmap. This effort will streamline and centralize the MISO outage processing system so that the team can study outages more thoroughly and consistently.</li> <li>2. Enhance operational resiliency by implementing back up software that will continue communicating dispatch instructions, during failure of primary automatic generation control (AGC).</li> <li>3. Implement measures for quality of logging to drive better transparency in operational decisions</li> </ol> |                   |                      |

\*Not all areas will be reflected every year, but all are included in the overall five-year plan

## 8.3 | Reliability Imperative: Transmission Evolution

| Weight | Description   | Required Performance   |                   |                      |
|--------|---|--|-------------------|----------------------|
|        |   | Threshold Complete 1   | Target Complete 2 | Excellent Complete 3 |
| 7.5%   | <p>Transmission Evolution provides a view of system needs that can be used to identify and inform transmission solutions on both a short-term and long-term basis to enable the resource portfolio shift contemplated by MISO stakeholders.</p> <p>This Strategic Element is focused on three areas* of value delivery.</p> <ul style="list-style-type: none"> <li>• Long Range &amp; Interregional Transmission Planning</li> <li>• Planning Transformation</li> <li>• Resource Utilization</li> </ul> | <ol style="list-style-type: none"> <li>1. Implement enhanced Futures Resource Expansion Tool to support long-term resource expansion analysis and transmission planning, allowing MISO staff to efficiently represent emerging technologies.</li> <li>2. Recommend the second set of Long Range Transmission Planning projects (Tranche 2) for approval in 2024, advancing the transmission roadmap to address the needs of the Midwest region as the resource fleet evolves.</li> <li>3. Complete the solicitations, proposals and evaluation of all remaining competitive requests for proposal for Tranche 1, fulfilling a critical step for construction of the projects.</li> </ol> |                   |                      |

\*Not all areas will be reflected every year, but all are included in the overall five-year plan

## 8.4 | Reliability Imperative: System Enhancements

| Weight | Description  | Required Performance  |                   |                      |
|--------|--|---|-------------------|----------------------|
|        |  | Threshold Complete 1  | Target Complete 2 | Excellent Complete 3 |
| 7.5%   | <p>System Enhancements focuses on integrating the necessary technologies to maintain and enhance security, reliability and efficiency while also enabling future needs and capabilities.</p> <p>This Strategic Element is focused on two areas* of value delivery.</p> <ul style="list-style-type: none"> <li>• <b>Market System Enhancements</b></li> <li>• <b>Technology for the Future</b></li> </ul> | <ol style="list-style-type: none"> <li>1. <b>Begin parallel operations of the Real-Time Market Clearing Engines for the Reliability Assessment Commitment study modes.</b></li> <li>2. <b>Design customer gateway to decrease customer effort, maximize customer efficiency throughout data needs processes, and more readily gain insights to expand our knowledge and understanding of customer relationships.</b></li> <li>3. <b>Advance modern data analytics capabilities through implementation of two new use cases: (1) operational risk management and (2) planned outage return. Establish a curated data environment, improved governance, and machine learning models for these two use cases.</b></li> </ol> |                   |                      |

\*Not all areas will be reflected every year, but all are included in the overall five-year plan

# Appendix

## Transmission Owner Feedback, 8/3/22

The MISO Transmission Owners (TOs) thank MISO for the opportunity to provide feedback on the 2024 Short-Term Incentive (STI) Plan. The Owners provide the following comments for consideration:

The Owners support MISO's adjustment of performance requirements for the four operational metrics which include Unit Commitment Efficiency, Market Efficiency, System Availability, and Customer Experience.<sup>1</sup> Fact-based fine-tuning of these metrics ensures challenging yet attainable Performance Requirement goals in MISO's STI Plan. The Owners also appreciate MISO's incorporation of the Owners' 2023 STI Plan stakeholder feedback into the 2023 metrics.<sup>2</sup>

However, the Owners continue to be concerned with the escalation in MISO's Base Expenses, which falls under the "Financial Control" category of the STI scoring. The Owners provided conditional support in favor of a 9.9% Base Expense increase in 2022 to account for increasing inflation among other factors, but the Owners also cautioned that MISO must remain vigilant against any continued or incremental increases beyond budgeted amounts.<sup>3</sup> The Owners note that in 2023 year-to-date, MISO reported that Base Expenses are nonetheless currently projected to be 4.5% over the newly set budget from last year.<sup>4</sup> The Owners will continue to monitor the projected overage as the year progresses, and again urge MISO to increase its own vigilance.

Thank you for your consideration.

# MISO Management Response: Transmission Owner Feedback

We sincerely appreciate your feedback and are taking it into consideration as we develop the first draft of the 2024 STI plan.

We agree with you that we must continue to challenge ourselves by evaluating our metrics, both operational and strategic, and our ability to continuously improve upon them. In the face of the industry's increased complexity, we strive to hold ourselves accountable to the high level of reliable and economic operations our region needs. MISO continues to be focused on our fiduciary responsibility and are sensitive to the cost pressures our members are facing. We will continue to critically assess the cost drivers for maintaining and improving upon our business value.

## WPPI Feedback, 8/4/22

WPPI finds the overall structure of MISO's 2023 Short Term Incentives (20230614 AC Item 08 Short Term Incentives (STI), s. 6) reasonable. (Note: s. 6 lists the six operations metrics and four strategic elements and their respective weight and threshold, target, and excellent percentages.) When it comes to the details of the STI, in the case of the operations metrics, WPPI focuses on the parameter values that determine whether MISO's performance is at the threshold, target, or excellent level. In the case of the strategic elements, we focus on appropriateness and clarity.

# MISO Management Response: TDU Feedback

We sincerely appreciate your feedback as we develop the first draft of the 2024 STI plan and look forward to continued conversations as more details are shared.