



2025 Short-Term Incentive Plan Development

Advisory Committee of the
Board of Directors

June 26, 2024

2025 Short-Term Incentive Plan Development Timeline



Stakeholder Feedback Role in Short-Term Incentive Plan Development

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

1

Goals are constructed by management with the aid of subject matter experts

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

2

Goals are vetted through a stakeholder comment process

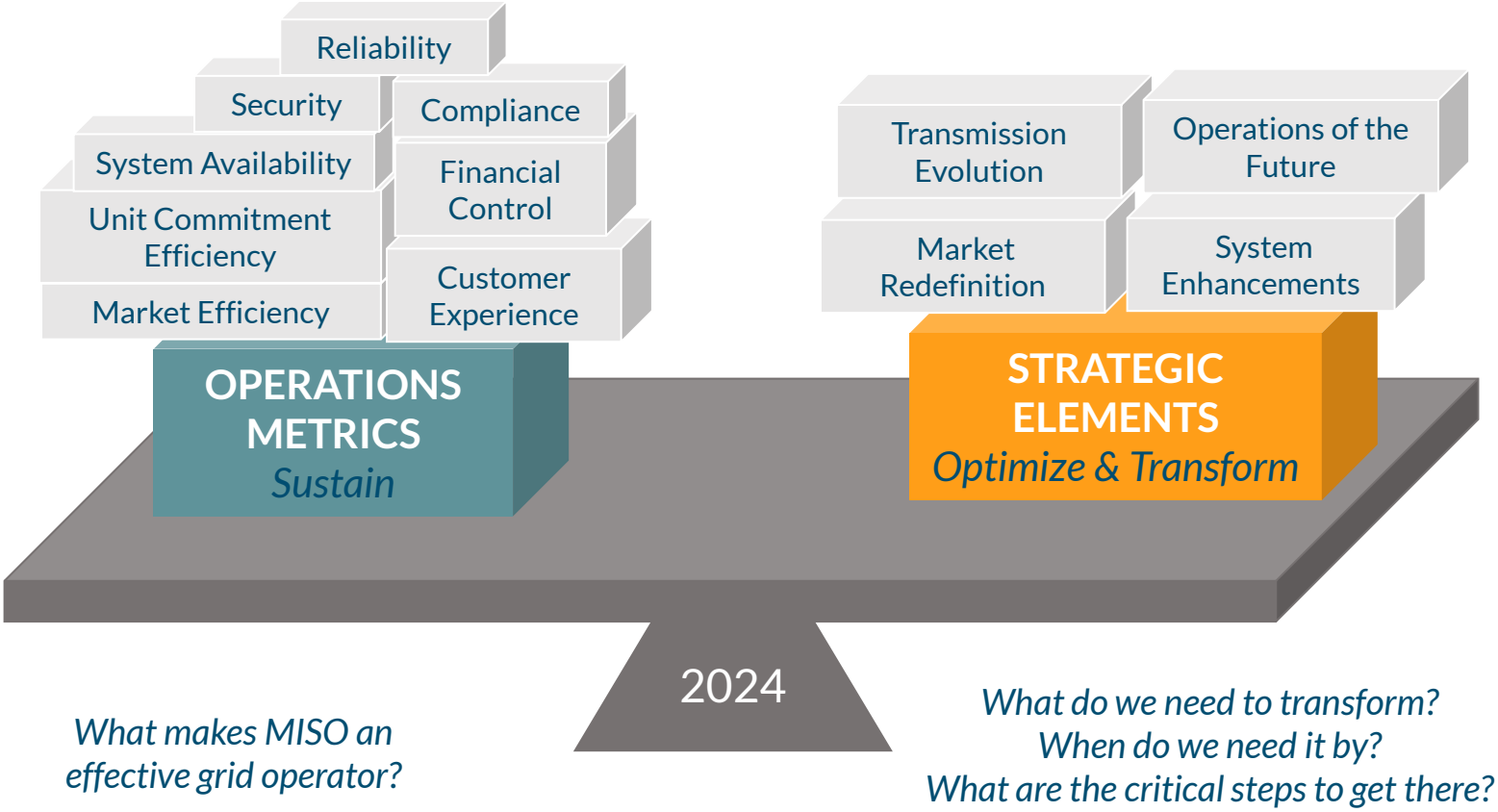
- MISO has received limited but substantial input from stakeholders over the years.
- Stakeholder feedback is used as input for the development of next year's plan, amending or clarifying goals.

3

Goals are reviewed and approved by the Board, with authority delegated to the Human Resources Committee

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

The Short-Term Incentive Plan rewards the organization's ability to balance work to sustain the business with work that is needed to optimize and transform the business



Stakeholder Feedback Request

- Feedback on the structure of the 2024 Short-Term Incentive (STI) Plan (pp. 6-19) is requested by **Friday, August 2, 2024**.
- The feedback will be used as input for the development of the proposed 2025 Short-Term Incentive plan to be discussed in September.
- Feedback requests and responses are managed through the **Feedback Tool** on the MISO website:

misoenergy.org/stakeholder-engagement/stakeholder-feedback/



2024 Short-Term Incentive Plan

Human Resources Committee
of the Board of Directors

Approved November 30, 2023

2024 Incentive Goals & Metrics

		Weight	Threshold	Target	Excellent
OPERATIONAL METRICS	1.A. Reliability	15%	0%	15%	22.5%
	1.B. Security	5%	2.5%	5%	7.5%
	2.A. Compliance	5%	2.5%	5%	7.5%
	2.B. Compliance Initiatives	5%	2.5%	5%	7.5%
	3. Unit Commitment Efficiency	10%	5%	10%	15%
	4. Market Efficiency	10%	5%	10%	15%
	5.A. System Availability- Incidents	2.5%	1.25%	2.5%	3.75%
	5.B. System Availability- Unavailability	2.5%	1.25%	2.5%	3.75%
	6.A. Financial Control – Base	5%	2.5%	5%	7.5%
	6.B. Financial Control – Investment	5%	2.5%	5%	7.5%
	7. Customer Experience	5%	2.5%	5%	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%	47.5%	100%	145%

1 | Reliability & Security

Weight	Performance Requirements		
	Threshold	Target	Excellent
1.A. Reliability 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) ¹		
	No payout awarded for reliability metric if performance is below Target requirement	Compliant with CPS1 and BAAL, zero RBCE violations caused by MISO Balancing Authority and zero violations (IROL) ¹	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 ¹
1.B. Security 5%	Evaluation covers two criteria: 1. Review of cyber incidents causing financial or operational impacts 2. Completion of planned initiatives enhancing system security		
	Successfully implement one 2024 initiative enhancing system security	Successfully implement two 2024 initiatives enhancing system security	Successfully implement three 2024 initiative enhancing system security

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 security matters impacting this goal to the Human Resources Committee of the Board during Executive review 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.

¹ 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.

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



2 | Compliance

Weight	Performance Requirements		
	Threshold	Target	Excellent
2.A. Compliance 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 ¹ resolved as high impact including all NERC and FERC audits (not including items self-reported ²)	No more than 3 audit findings ¹ resolved as high impact including all NERC and FERC audits (not including items self-reported ²)	No audit findings ¹ resolved as high impact including all NERC and FERC audits (not including items self-reported ²)
2.B. Compliance Initiatives 5%	Implement plans to enhance compliance practices		
	Successfully implement one 2024 initiative that will enhance compliance	Successfully implement two 2024 initiatives that will enhance compliance	Successfully implement three 2024 initiative that will enhance 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.

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

²No 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)



2B | Compliance Initiatives

	Initiative	Summary	Project	Deliverable	
2024 COMPLIANCE INITIATIVES	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		
	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
	Tariff Compliance Risk Management	The focus of the initiative is to increase coordination between relevant parties on Tariff filings and develop risks and controls	Tariff regulatory change management		Complete impact assessments for Tariff filings with direct compliance requirements to MISO while updating risk and controls
			Risk and Controls framework		

3 | Unit Commitment Efficiency (Real-Time Operations)

Weight	Historic Performance (backcast)	Performance Requirements														
		Threshold	Target	Excellent												
10%	<table border="1"> <caption>Historic Performance (backcast)</caption> <thead> <tr> <th>Year</th> <th>Performance (%)</th> </tr> </thead> <tbody> <tr> <td>2019</td> <td>90.5%</td> </tr> <tr> <td>2020</td> <td>91.0%</td> </tr> <tr> <td>2021</td> <td>87.5%</td> </tr> <tr> <td>2022</td> <td>91.0%</td> </tr> <tr> <td>2023 YTD</td> <td>92.0%</td> </tr> </tbody> </table>	Year	Performance (%)	2019	90.5%	2020	91.0%	2021	87.5%	2022	91.0%	2023 YTD	92.0%	87.5% of ideal commitment and dispatch costs, annual cumulative	89.5% of ideal commitment and dispatch costs, annual cumulative	91.5% of ideal commitment and dispatch costs, annual cumulative
		Year	Performance (%)													
2019	90.5%															
2020	91.0%															
2021	87.5%															
2022	91.0%															
2023 YTD	92.0%															
		<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 Independent Market Monitor (IMM). 2024 requirements are based on the results of backcasting the metric in 2023</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 Funding Efficiency (Market Operations)

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>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>7</td> </tr> </tbody> </table>	Year	Score	2019	12	2020	8	2021	9	2022	8	2023 YTD	7	7 Months achieved Market Funding Efficiency scoring is at least 90%	8 Months achieved Market Funding Efficiency scoring is at least 90%	10 Months achieved Market Funding Efficiency scoring is at least 90%
		Year	Score													
2019	12															
2020	8															
2021	9															
2022	8															
2023 YTD	7															
If there is a major operational event or events in 2024, we will report and discuss the impacts with the board and rely upon their discretion																

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:

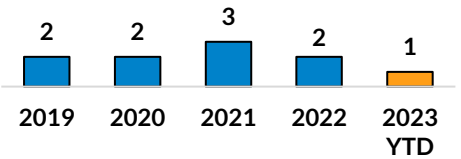
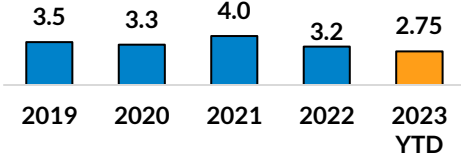
$$\text{Monthly Market Funding Efficiency} = (\text{FTR Target Credits} - \text{ABS}(\text{Financial Transmission Rights Deviation} + \text{Real Time Excess Congestion Charge Fund Deviation})) / \text{FTR Target Credits}$$

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)

Weight	Historic Performance	Performance Requirements														
		Threshold	Target	Excellent												
System Incidents 2.5%	 <table border="1"> <caption>System Incidents Data</caption> <thead> <tr> <th>Year</th> <th>Incidents</th> </tr> </thead> <tbody> <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	2019	2	2020	2	2021	3	2022	2	2023 YTD	1	MISO critical services will have no more than 4 unplanned incidents exceeding 30 minutes (each) of unavailability per year	MISO critical services will have no more than 3 unplanned incidents exceeding 30 minutes (each) of unavailability per year	MISO critical services will have no more than 2 unplanned incidents exceeding 30 minutes (each) of unavailability per year
Year	Incidents															
2019	2															
2020	2															
2021	3															
2022	2															
2023 YTD	1															
System Unavailability 2.5%	 <table border="1"> <caption>System Unavailability Data</caption> <thead> <tr> <th>Year</th> <th>Hours</th> </tr> </thead> <tbody> <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>2.75</td> </tr> </tbody> </table>	Year	Hours	2019	3.5	2020	3.3	2021	4.0	2022	3.2	2023 YTD	2.75	Maximum total unplanned unavailability: 5 hours	Maximum total unplanned unavailability: 4 hours	Maximum total unplanned unavailability: 3 hours
Year	Hours															
2019	3.5															
2020	3.3															
2021	4.0															
2022	3.2															
2023 YTD	2.75															

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

Weight	Historic Performance	Performance Requirements														
		Threshold	Target	Excellent												
Base Budget Variance 5%	<table border="1"> <caption>Base Budget Variance Data</caption> <thead> <tr> <th>Year</th> <th>Variance (%)</th> </tr> </thead> <tbody> <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>1.8%</td> </tr> </tbody> </table>	Year	Variance (%)	2019	-0.1%	2020	-2.9%	2021	-1.5%	2022	3.3%	2023 YTD	1.8%	±1.5% budget	±0.8% budget	±0.5% budget
Year	Variance (%)															
2019	-0.1%															
2020	-2.9%															
2021	-1.5%															
2022	3.3%															
2023 YTD	1.8%															
Investment Budget Variance 5%	<table border="1"> <caption>Investment Budget Variance Data</caption> <thead> <tr> <th>Year</th> <th>Variance (%)</th> </tr> </thead> <tbody> <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>-0.7%</td> </tr> </tbody> </table>	Year	Variance (%)	2019	0.7%	2020	1.2%	2021	-5.5%	2022	-8.8%	2023 YTD	-0.7%	±6% budget	±5% budget	±3% budget
Year	Variance (%)															
2019	0.7%															
2020	1.2%															
2021	-5.5%															
2022	-8.8%															
2023 YTD	-0.7%															

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 Budget for metric purposes = Operating plus capital projects



7 | Customer Experience

Weight	Historic Performance	Performance Requirements														
		Threshold	Target	Excellent												
Customer Relationship Index 5%	<table border="1"> <caption>Historic Performance Data</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>80%</td> </tr> </tbody> </table>	Year	Performance (%)	2019*	85%	2020	81%	2021	81%	2022	81%	2023 YTD	80%	78% of survey respondents providing an average rating of 5 or better on a 7-point scale	80% of survey respondents providing an average rating of 5 or better on a 7-point scale	82% of survey respondents providing an average rating of 5 or better on a 7-point scale
	Year	Performance (%)														
2019*	85%															
2020	81%															
2021	81%															
2022	81%															
2023 YTD	80%															
Rolling average questions focused on MISO value delivery <i>* 2019 scoring methodology not consistent (comparable) to other years</i>																

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.



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"> • Enhancing coordination • Identifying locational needs • Developing resource models & capabilities • Managing uncertainty & variability 	<ol style="list-style-type: none"> 1. Deliver a roadmap focused on the need to reform the use of Resource Adequacy criterion considering the Expected Unserved Energy and other reliability metrics 2. File FERC changes to our Value of Lost Load and other pricing curves to improve pricing signals during scarcity conditions 3. Complete Reliability Based Demand Curve system development in preparation for implementing in the 2025 Planning Resource Auction. This implementation will better capture the reliability value of capacity 		

*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 five areas* of value delivery:</p> <ul style="list-style-type: none"> • Uncertainty & variability • Situational awareness & critical communications • Operations planning • Operations preparedness • Operational continuity 	<ol style="list-style-type: none"> 1. Deliver an outage processing system roadmap and the solution design and requirements for Phase I. This effort will focus on streamlining and centralizing outage processes to enable MISO to study outages more thoroughly and consistently 2. Enhance operational resiliency by implementing software that will continue Area Control Error calculation during failure of primary Automatic Generation Control 3. Implement measures for quality of logging to drive better transparency in operational decisions 		

*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"> • Long Range & Interregional Transmission Planning • Planning transformation • Resource utilization 	<ol style="list-style-type: none"> 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 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 3. Streamline resource interconnection by implementing applicable queue reforms and enhancing visibility on impacts to generator commercial operation 		

*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"> • Market System Enhancements • Technology for the future 	<ol style="list-style-type: none"> 1. Begin parallel operations of the real-time Market Clearing Engines for the Reliability Assessment Commitment study modes 2. 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 3. 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 		

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