



Report to the LIPA Board of Trustees

2023 Power Supply and Fuel Management Metric Performance

Power Supply Hedge Update PSEG Energy Resources & Trade

4/17/2024

Agenda

- **Review of ER&T Operational Performance Metrics**
 - **Power Supply Management (PSM)**
 - **Fuel Management (FM)**
- **Power Supply Hedging Update**

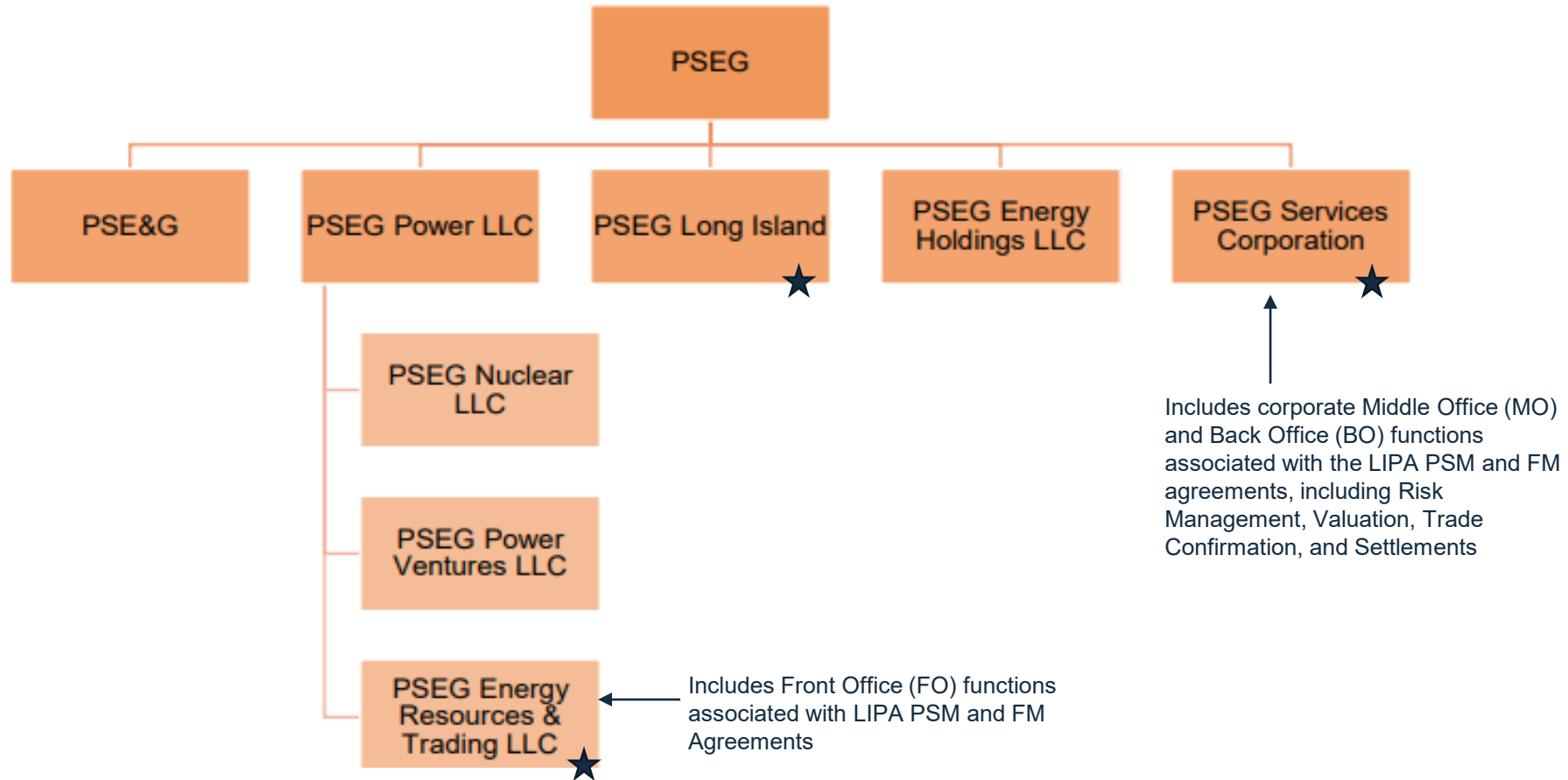


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Review of ER&T Operational Performance Metrics

Glenn Nafey, PSEG Middle Office

The PSEG Organization






PSEG– Middle Office Update

PSM /FM Operational Performance Metrics

- Middle Office tracks the operating performance of ER&T under the Power Supply Management (PSM) and Fuel Management (FM) contracts
- The overall PSM metric has 9 individual metric components. The overall FM metric has 6 individual metric components.
- Each individual metric has a performance benchmark, as well as an offset trigger at or above the benchmark and a penalty trigger at or below the benchmark. The triggers define a band of reasonableness around benchmarks.
- Performance above the offset trigger on one individual metric can partially offset performance below the penalty trigger on another individual metric.
- ER&T is subject to an annual financial penalty if performance on the PSM metrics, and/or the FM metrics, nets out to a penalty. There is no possibility of financial bonus.
- ER&T's overall performance on PSM and FM metrics has been above target performance for all years since the contract started.

PSM Operational Performance Metrics




PSM Performance Metrics	L/H	2021		2022		2023	
		Metric	Benchmark	Metric	Benchmark	Metric	Benchmark
PSM 1: Cable Effectiveness (CSC/Neptune)	H	88.2%	84.3%	88.2%	84.2%	90.6%	85.9%
PSM 2: Critical Report Timeliness	H	99.8%	95.0%	99.9%	95.0%	100.0%	95.0%
PSM 3: Generation Bid Accuracy	H	100.0%	98.0%	100.0%	98.0%	100.0%	98.0%
PSM 4: Adherence to Bidding Strategy	H	99.9%	98.0%	99.9%	98.0%	100.0%	98.0%
PSM 5: Contingent Bid Responsiveness	H	97.2%	95.0%	95.1%	95.0%	100.0%	95.0%
PSM 6: Annual Significant Loss ⁽¹⁾	L	0	0	0	0	1	0
PSM 7: Load Forecasting	L	3.6%	5.0%	3.5%	5.0%	3.4%	5.0%
PSM 8: Capacity Market (\$/kW-month)	L	(\$0.06)	\$0.00	(\$0.01)	\$0.00	(\$0.18)	\$0.00
PSM 9: Quarterly Satisfaction Report	H	4.1	3.0	4.3	3.0	4.6	3.0
Overall PSM Metric							

1) PSM 6: Cannot gain offset points. Zero is best rating. Not possible to be green.

Performance above offset trigger Performance within tolerance band Performance below penalty trigger

PSM 1: Cable Effectiveness	Measures how much of the potential Day Ahead cost saving is captured when utilizing the Neptune and Cross Sound cables.
PSM 2: Critical Report Timeliness	Evaluates the timeliness of uploading critical reports specified by LIPA to the SharePoint website.
PSM 3: Generation Bid Accuracy	All generation bids submitted to the ISO by the Power Supply Manager are independently calculated and compared for any variances.
PSM 4: Adherence to Bidding Strategy	Tracks that all bids for Load, Resource Recovery units, Neptune and Cross Sound cables are submitted to the ISO appropriately.
PSM 5: Contingent Bid Responsiveness	Tracks the response time to contingent events (generator, cable, fuel, supply disruptions) and samples them for accuracy.
PSM 6: Annual Significant Loss	The intent of this metric is to incent the Power Supply Manager to minimize errors in the performance of its duties not covered by other performance metrics that have an adverse impact on LIPA's financial results.
PSM 7: Load Forecasting	Evaluates the performance of the Power Supply Manager's ability to forecast LIPA's load.
PSM 8: Capacity Market	The objective is for the Power Supply Manager to purchase capacity to meet LIPA's Statewide Capacity Obligation at a cost lower than the volume-weighted average auction price.
PSM 9: Quarterly Satisfaction Report	Rates LIPA's overall satisfaction with the Power Supply Manager's services based on a survey of LIPA management.

FM Operational Performance Metrics

		2021		2022		2023	
FM Performance Metrics	L/H	Metric	Benchmark	Metric	Benchmark	Metric	Benchmark
FM 1: Gas Price Forecasting	L	8.7%	10.5%	12.4%	17.9%	11.1%	14.7%
FM 2: Gas Purchase Price	L	-0.1%	1.6%	0.2%	1.9%	0.0%	2.1%
FM 3: Gas Balancing Charge	L	0.0%	0.25%	0.0%	0.25%	0.0%	0.25%
FM 4: Quarterly Satisfaction Report	H	4.1	3.0	4.3	3.0	4.6	3.0
FM 5: Oil Inventory Monitoring	H	100.0%	98.0%	100.0%	98.0%	100.0%	98.0%
FM 6: Invoice Processing	H	99.9%	98.0%	97.9%	98.0%	100.0%	98.0%
Overall FM Metric							

Performance above offset trigger	Performance within tolerance band	Performance below penalty trigger
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FM 1: Gas Price Forecasting	Measures the Fuel Manager’s ability to accurately estimate the Gas Daily Settle price of natural gas.
FM 2: Gas Purchase Price	Measures the Fuel Manager’s ability to secure a favorable price relative to daily market activity.
FM 3: Gas Balancing Charge	Measures the Fuel Manager’s ability to minimize balancing penalties associated with natural gas nominations while optimizing the use of cashout gas when it is economic to do so based upon market conditions.
FM 4: Quarterly Satisfaction Report	Rates LIPA's overall satisfaction with the Fuel Manager's services based on a survey of LIPA management.
FM 5: Oil Inventory Monitoring	Monitors the fuel oil inventories to ensure the appropriate oil inventory levels are maintained.
FM 6: Invoice Processing	Measures the Fuel Manager’s ability to validate and process invoice payments on behalf of LIPA.

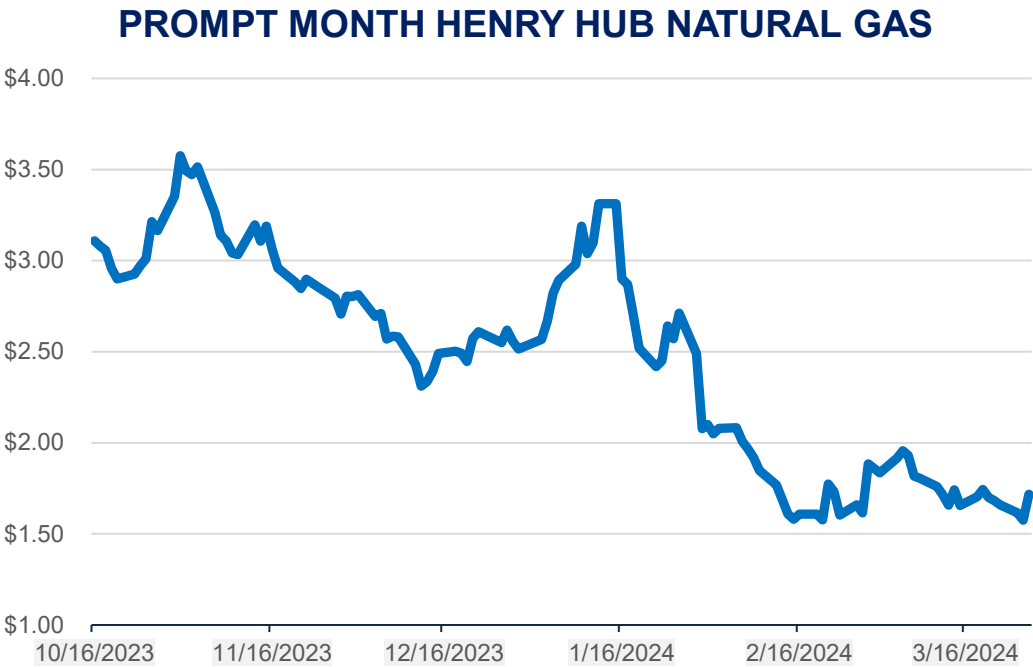
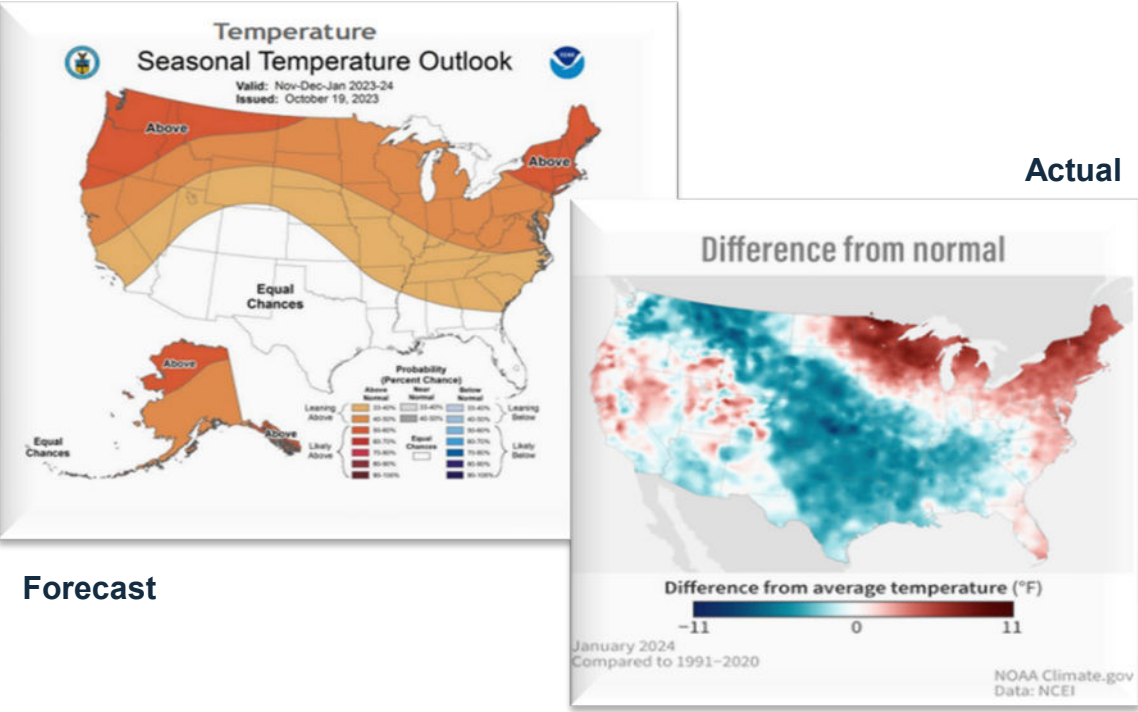


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Power Supply Hedge Update

Raymond DePillo, PSEG Energy Resources & Trade

Winter Weather

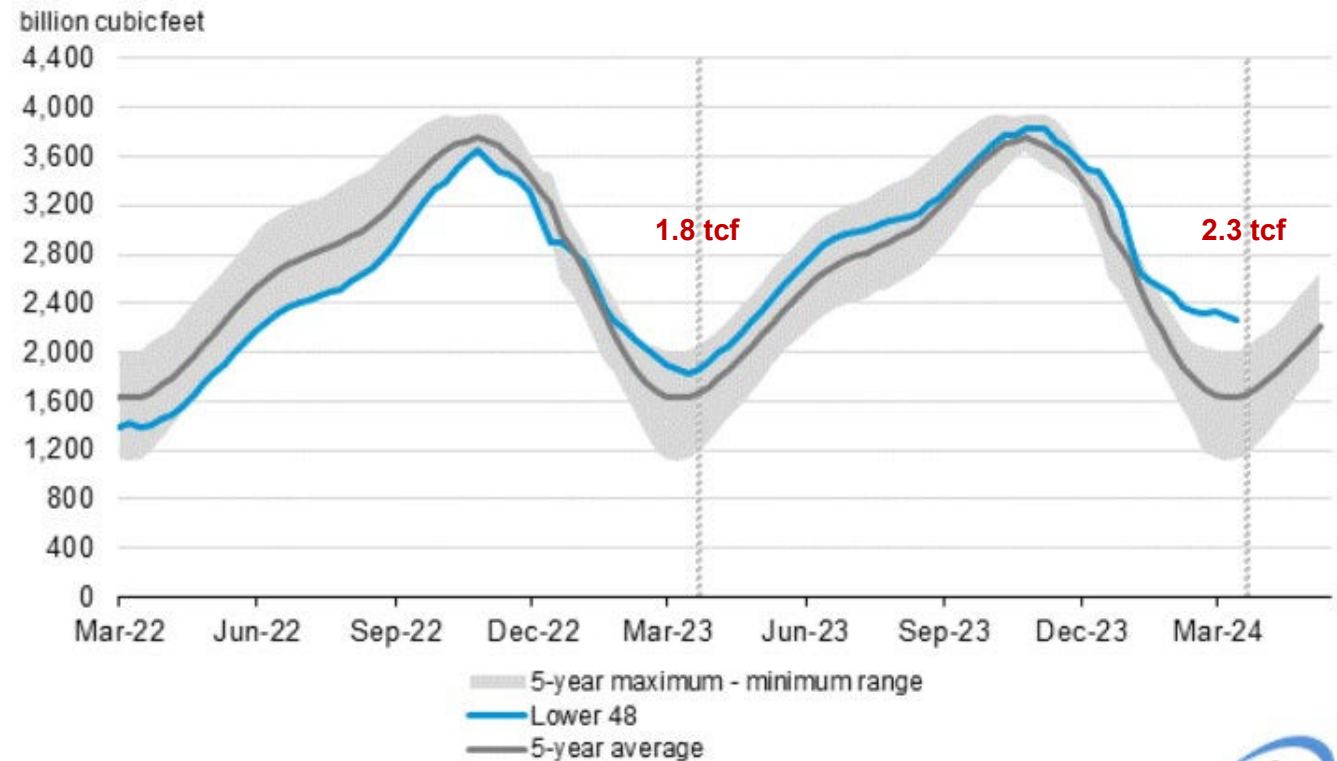


- El Nino conditions developed as predicted driving a warmer than normal winter
- Resulted in lower energy demand – weighing down prices
- Benefits included lower spot purchases and limited fuel-oil burns

Fuel Outlook - Storage

- Conditions have driven storage levels to record highs
- Current inventories are more than 10% above the previous 5-year maximums
- Gas producers have announced production cuts, had some impact to price, but little impact on surpluses
- Demand increases are coming, but not expected to be meaningful until 2025 seasons (earliest)

Working gas in underground storage compared with the 5-year maximum and minimum



Data source: U.S. Energy Information Administration

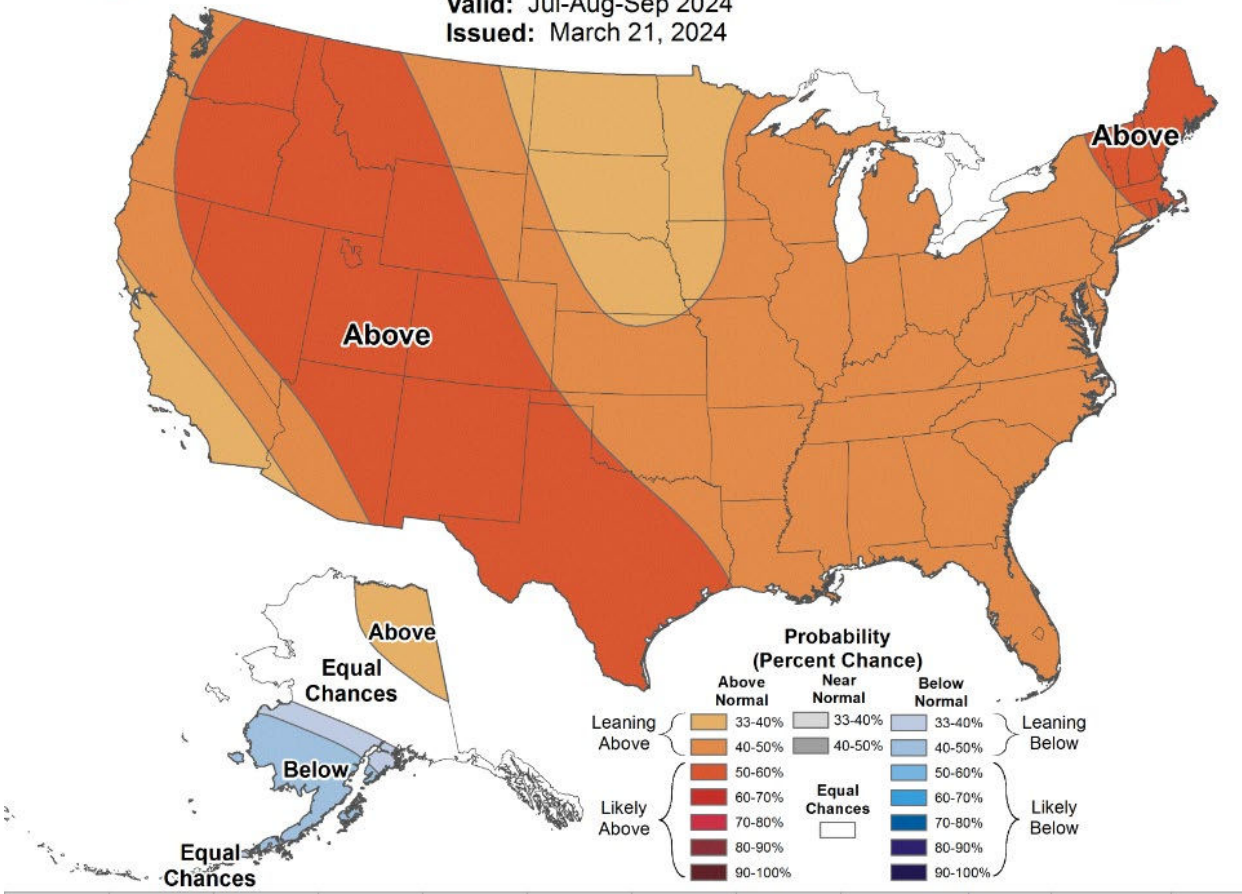
Weather Outlook (NOAA)



Seasonal Temperature Outlook



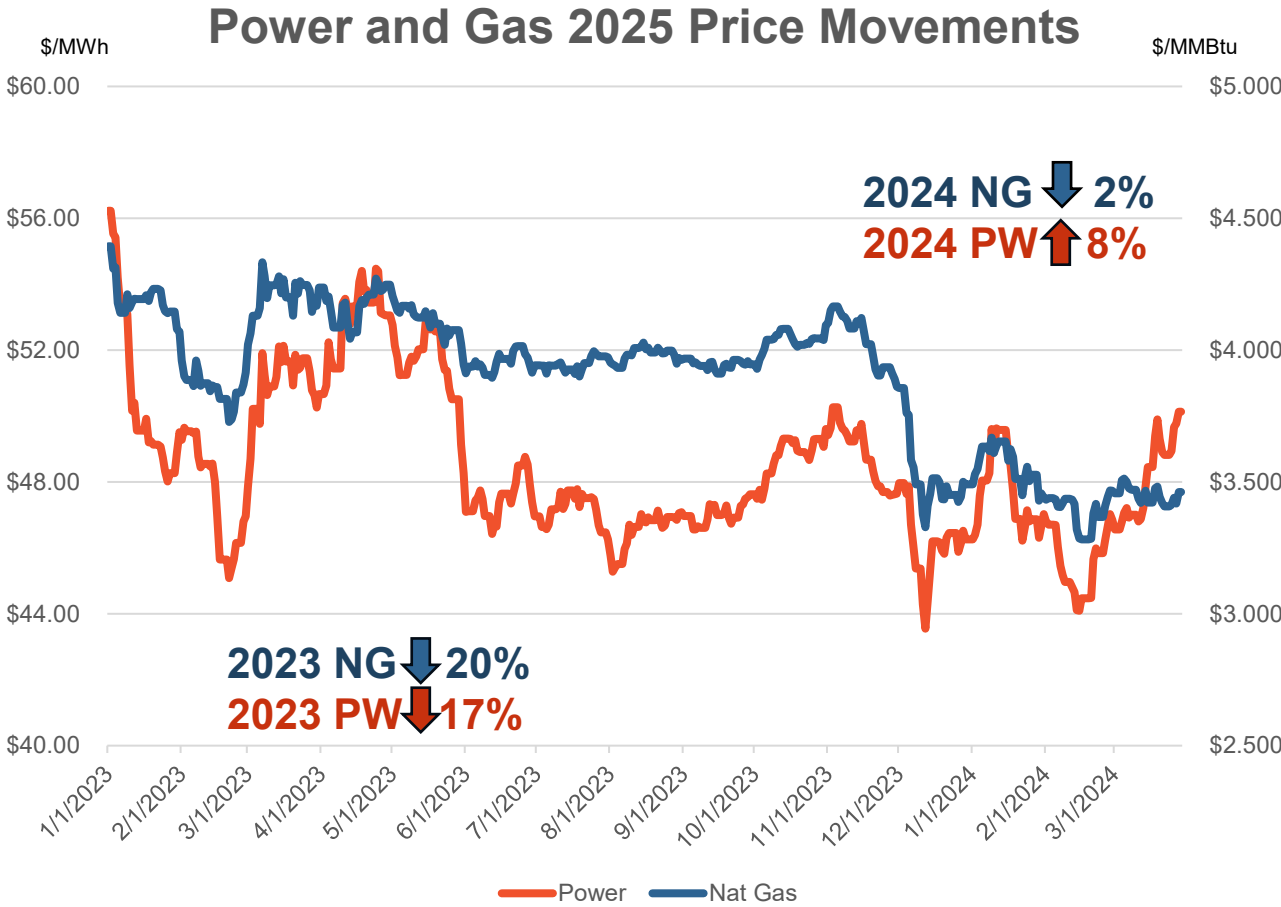
Valid: Jul-Aug-Sep 2024
Issued: March 21, 2024



- Seasonal outlook calling for temperatures in the “leaning above” category for most of the eastern US
- Outlook coupled with supply and demand fundamentals are likely to keep natural gas prices moderate through the summer

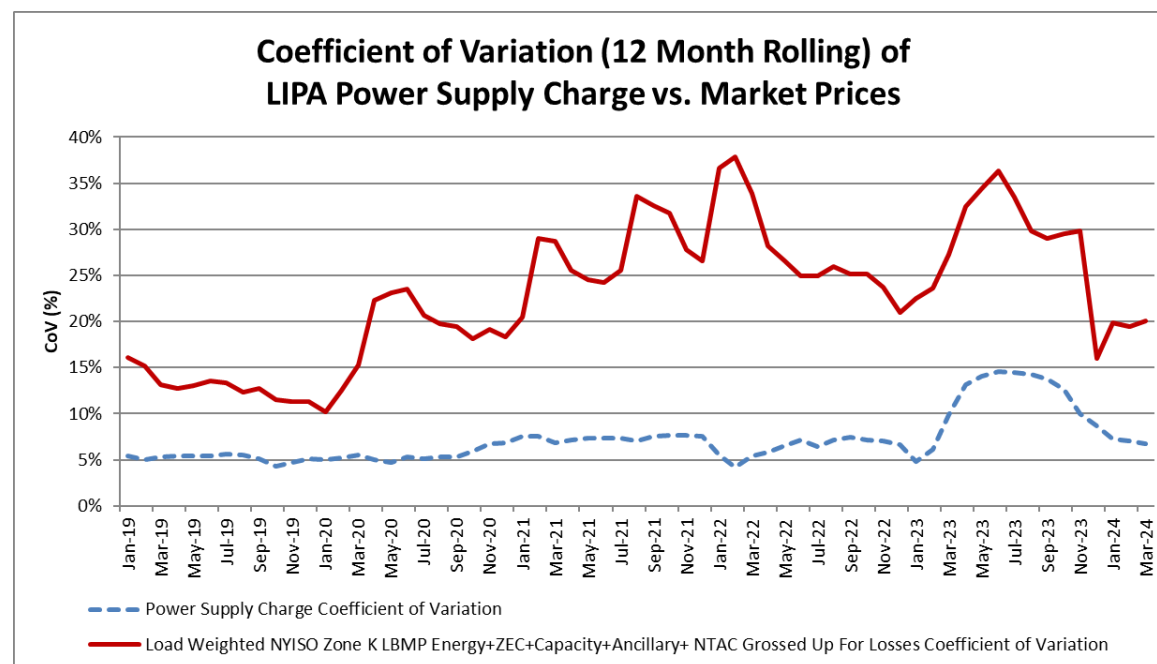
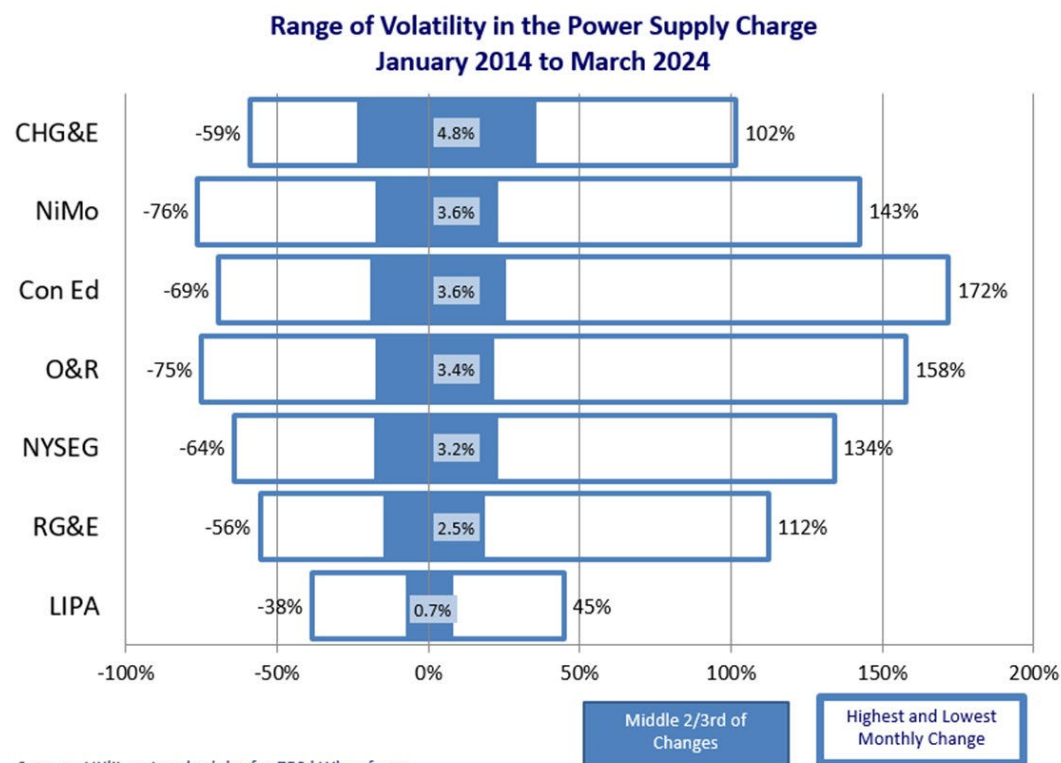
Energy Prices

- Electric and Gas prices have started moving in different directions during 2024
- Forward values carry some risk premium, but is it enough or too much?



Rate Volatility

- The Board's Power Supply Hedging policy objective is to mitigate a portion of the volatility of the power supply costs in a programmatic and reasonable way
- The hedge program continues to minimize swings in customer rates, and maintains LIPA's position as some of the least volatile rates in NY





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