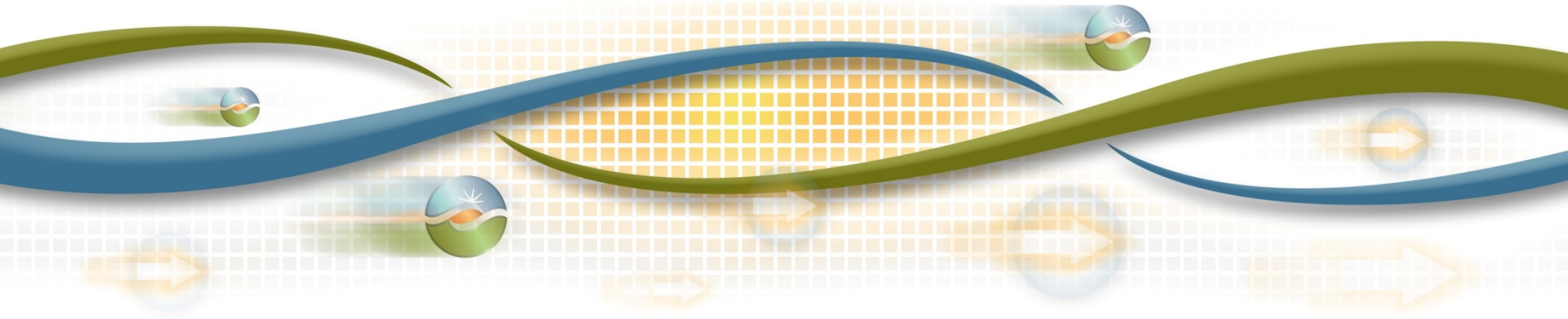


Decision on 2015 Grid Management Charge Update

Ryan Seghesio
Chief Financial Officer & Treasurer

Board of Governors Meeting
General Session
July 15-16, 2014



The grid management charge is the vehicle through which the ISO recovers all of its costs.

- Current structure expires December 31, 2014
 - Commenced January 1, 2012
 - Result of 2011 redesign – wide stakeholder and FERC support
 - Structure:
 - Service categories and fee segments
 - Allocation of costs – formula rates
 - Revenue requirement maximum and end date

Stakeholder process launched in April.

- Discussion papers focused on maintaining basic structure
- Cost of service study updated using 2013 data
- Minor adjustments to formula rates and revenue requirement cap proposed
- Wide stakeholder acceptance

There are no proposed changes to the service categories and fee segments.

- Three main service categories (97% of GMC):
 - Market services
 - System operations
 - Congestion revenue rights services
- Miscellaneous offsetting fees segments (3% of GMC):
 - Bidding and registration fees
 - Inter-SC trade fees
 - Transmission ownership rights charges
- Miscellaneous revenue:
 - Energy imbalance market charges

There are minor adjustments to the formula rates based on the updated cost of service study.

Service or Fee Category	Current % or rate	Proposed % or rate	Change
Market Services	27%	27%	-
System Operations	69%	70%	1%
CRR Services	4%	3%	(1%)
Bid segment fee	\$0.005 / bid	\$0.005 / bid	-
Inter-SC trade fee	\$1 / trade	\$1 / trade	-
SCID fee (monthly)	\$1,000	\$1,000	-
CRR auction bid fee	\$1 / bid	\$1 / bid	-
TOR charge	\$0.27 / MWh	\$0.24 / MWh	(\$0.03)
EIM charge	\$0.19 / MWh	\$0.19 / MWh	-

There is a proposed increase to the revenue requirement maximum with no expiration.

- Increase cap by \$3 million to \$202 million
 - 2014 revenue requirement is at 99.5% of current cap of \$199M
 - Revenue requirement increases average 0.5% over last 5 years
 - ISO now funding capital out of GMC funds instead of debt
 - Cap increase is 1.5% over current maximum
- No expiration
 - Forecast new cap may last 5-7 years
 - No end date encourages ISO to stay under maximum

Management commits to update cost of service study every three years and file new formula rates.

- Requested by stakeholders
- Cost of service study on a 3 year cycle
- File changes to service category percentages, EIM rate and TOR rate as needed

The new proposed GMC structure will be implemented on January 1, 2015.

Month	Completed Events
April	2015 GMC Update initial proposal stakeholder meeting
May	2015 GMC Update final proposal stakeholder call

Month	Upcoming Events
July	2015 GMC Update to Board for decision
August	2015 GMC Update stakeholder meeting - tariff language
September	2015 GMC Update filed with FERC