



California ISO

Decision on 2021 Budget

April Gordon

Director, Financial Planning and Procurement

Board of Governors meeting

General Session

December 17, 2020

Highlights: Diversified revenue streams lead to favorable revenue requirement while still developing well-rounded budgets that serve our needs.

- At \$181.6 million, the 2021 revenue requirement is the lowest revenue requirement since 2006.
- O&M budget increases by \$5.4 million primarily due to budgeted merit and other compensation increases, additional staff, and subscription costs.
- However, the nodal pricing model fee and EIM revenue help drive other revenues to increase by \$9.2 million, which lowers the net revenue requirement.

GMC Revenue Requirement: The proposed revenue requirement is \$5.4M less than 2020.

GMC Revenue Requirement (\$ in millions)	2021 Budget	2020 Budget	Change \$	Change %
Operations & Maintenance Budget	\$200.8	\$195.0	\$5.8	3%
Debt Service (including 25% reserve)	16.9	16.9	0.0	0%
Cash Funded Capital	28.0	28.0	0.0	0%
Other Costs and Revenues	(50.5)	(41.3)	(9.2)	22%
Operating Costs Reserve Adjustment	(13.6)	(11.6)	(2.0)	17%
Total GMC Revenue Requirement	\$181.6	\$187.0	(\$5.4)	-3%
Transmission Volume Estimate in TWh	237.3	238.4	(1.1)	0%
Pro-forma bundled cost per MWh	\$0.7653	\$0.7844	(\$0.0191)	-2%

O&M Budget: The proposed O&M budget increases by \$5.8 million to \$200.8 million.

O&M Budget by Resource (\$ in millions)	2021 Budget	2020 Budget	Change
Salaries and Benefits	\$150.7	\$145.7	\$5.0
Occupancy Costs and Equipment Leases	3.0	2.9	0.1
Telecom, HW/SW Maintenance Costs	14.2	14.4	(0.2)
Consultants and Contract Staff	13.1	12.7	0.4
Outsourced Contracts and Professional Fees	12.0	11.7	0.3
Training, Travel, and Other costs	7.8	7.6	0.2
Total	\$200.8	\$195.0	\$5.8

Debt Service: Annual requirement remains at \$16.9 million on outstanding 2013 bonds.

- \$163 million of bond principal outstanding
- \$16.9 million requirement consists of:
 - \$13.5 million in debt payments due to bondholders, and
 - \$3.4 million to be collected for required reserve
- Level annual debt service until February 2039
- Potential Bond Refinancing
 - Targeting January 2021

Capital/Project: \$28 million will be collected for capital in the proposed revenue requirement.

- Total project approvals are targeted at \$22 million for further market, operational, and technology enhancements as well as for other capital projects
- \$6 million difference will add to capital reserves
- List of proposed projects is contained within the budget book

Other Costs and Revenues: EIM and nodal pricing model revenue help drive other revenues to increase by \$9.2 million.

Other Costs and Revenue (\$ in millions)	2021 Budget	2020 Budget	Change
Reliability Coordinator Funding Requirement	\$18.0	\$18.5	(\$0.5)
Energy Imbalance Market Administrative Charges	11.4	9.5	1.9
Nodal Pricing Model Fee	8.4	-	8.4
Intermittent Resource Forecasting Fees	4.5	4.5	-
Interest Earnings	4.2	3.9	0.3
Generation Interconnection Project Fees	1.6	1.4	0.2
HANA Administrative Fees	0.9	0.9	-
Scheduling Coordinator Application and Other Fees	0.8	0.6	0.2
California-Oregon Intertie Path Operator Fees	0.7	2.0	(1.3)
Total Other Costs and Revenue	\$50.5	\$41.3	\$9.2

Operating Cost Reserve Adjustment: Favorable 2019 collections and spend results lead to \$13.6 million credit in the 2021 revenue requirement.

Operating Cost Reserve Adjustment (\$ in millions)	2021 Budget	2020 Budget	Change
Change in the 15% reserve for O&M budget	(\$0.9)	(\$0.9)	\$0.0
25% debt service collection from prior year	3.4	3.4	(0.0)
True-up of budget to actual revenues and expenses	11.1	9.1	2.0
Total Operating Cost Reserve Credit / (Debit)	\$13.6	\$11.6	\$2.0

Rates: Majority of the forecasted charges and rates will decrease in comparison due to the updated cost category allocation percentages and lower GMC revenue requirement.

Charge Code	Summary of Charges, Fees, and Rates	2021 Rate	2020 Rate	Change \$	Billing Unit
Grid Management Charges					
4560	Market Service Charge	\$0.1485	\$0.0994	\$0.0491	per MWh
4561	Systems Operations Charge	\$0.2043	\$0.2788	(\$0.0745)	per MWh
4562	CRR Services Charge	\$0.0048	\$0.0078	(\$0.0030)	per MWh
Miscellaneous Fixed Fees					
701	EIR Forecast Fee	\$0.1000	\$0.1000	\$0.0000	per MWh
4512	Inter-SC Trade Fees	\$1.00	\$1.00	\$0	per # of trades
4515	Bid Segment Fees	\$0.0050	\$0.0050	\$0.0000	per # of bid segments
4516	CRR Auction Bid Fees	\$1.00	\$1.00	\$0.0000	per # of nominations and bids
4563	TOR Fees	\$0.1800	\$0.2400	(\$0.0600)	per MWh
4575	SCID Fees (monthly)	\$1,500	\$1,000	\$500	per # of SCID
Supplemental Services Rates					
4564	EIM Market Service	\$0.0936	\$0.0785	\$0.0150	per MWh
4564	EIM System Operations	\$0.1022	\$0.1087	(\$0.0066)	per MWh
5701	RC Service Rate	\$0.0278	\$0.0278	\$0.0000	per MWh

Timeline: The budget development timeline extends from July through December.

Previous Events	Date
Introduction of budget process to stakeholders	July 29
Internal budgeting process	July – October
Preliminary draft budget posted to public website	October 30
Stakeholder budget workshop	November 16
Preliminary budget reviewed by Board of Governors	November 18-19
Final internal budgeting process	November – December

Upcoming Events	Date
Board decision on budget (General Session)	December 16-17
2021 GMC and other rates posted	December 23