

Decision on 2023 Cost of Service Study and 2024-2026 Grid Management Charge Update

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Joint ISO Board of Governors and WEIM Governing Body meeting
General Session

September 20, 2023

What is the cost of service study?

A triennial study in which activity based costing (ABC) and the revenue requirement components are used to set forth the *cost category percentages* used to calculate the annual grid management charges (GMC) as well as other rates and fees.

GMC Rate Calculation								
Annual Revenue Requirement	X	Cost of Service Study's GMC Percentages	=	Amount to Collect per GMC Cost Category	/	Estimated GMC Volumes	=	GMC Rates

What steps are involved?

Timecard Data

Maintain business processes

Collect:

- Hours
- Process + Project Codes
- Task Codes

Triennial Cost of Service Study

Map out direct and indirect costs

Calculate cost category allocation percentages

Reassess supplemental service charges, fees, and rates

Annual Revenue Requirement

Allocate annual revenue requirement into cost categories to determine GMC Rates:

- Market Services (RTM / DAM)
- System Operations (RTD / BAAS)
- CRR Services
- Reliability Coordinator Services



No change in the GMC cost categories percentages, minimal changes in other categories, and bifurcation of the System Operations charge

Item	2024	2025	2026
Grid Management Charges			
GMC Cost Category Percentages	No Change		Changes
Market Services	49%		
System Operations	49%		Charge Retired
NEW: System Operations Real-Time Dispatch			23%
New: System Operations Balancing Authority Area Services			26%
CRR Services	2%		
Western Energy Imbalance Market			
WEIM Percentage Allocations	Changes		
Real-Time Market	from 63% to 64.5%		
Real-Time Dispatch	from 50% to 42%		Charge Retired
Reliability Coordinator West			
	Change		
Reliability Coordinator Funding Percentage	from 9% to 8%		
Supplemental Fees			
Other Revenue (offsets to the GMC Revenue Requirement)	No Change		
Miscellaneous Fees (collected as charges below the line)	Change		
TOR Charge/MWh	from \$0.18 to \$0.325		

Extended Day-Ahead Market (EDAM)

Administrative Charge Transitional Load Ramp-In

- Fixed load ramp-in percentage over initial four years of EDAM operations
- Ramp-in would only apply to load volumes to avoid providing any suppliers with a competitive advantage in the market
- Load based costs start with load effectively paying what they pay today under WEIM and then increase equivalent to full load-based charges over four years

All customers paying Market Services and Real-Time Dispatch charges will benefit from additional volumes starting in year 1

Volume Type	Year 1	Year 2	Year 3	Year 4	Year 5
Load	5%	25%	50%	75%	100%
Supply	100%	100%	100%	100%	100%

GMC Revenue Requirement Cap

Increase:

- 1/1/2025
\$245M
- 1/1/2026
\$250M

Accommodate:

- Accounting change of offsetting revenues and adjustments
- Normal cost inflation in operating costs and additional positions

GMC Revenue Requirement (\$ in millions)
Operations and Maintenance Budget
Debt Service and Cash Funded Capital
Other Revenues and Adjustments
Total GMC Revenue Requirement
Estimated Measured Demand in TWh
Pro-Forma Bundled Cost per MWh

Forecast		
2024	2025	2026
\$ 251.9	\$ 258.4	\$ 265.2
\$ 20.7	\$ 29.7	\$ 29.7
\$ (70.7)	\$ (46.5)	\$ (46.8)
\$ 201.9	\$ 241.6	\$ 248.1
242.5	340.5	346.1
\$0.8326	\$0.7095	\$0.7168

Changes since the Draft Final Proposal

EDAM is being evaluated for a 2026 inaugural operational year. This change required the ISO to reevaluate the Cost-of-Service study results and proposed changes. The impacts to the study's analysis given the new projected kickoff date were minimal and the ISO proposes to address them as follows:

- Align the System Operations bifurcation effective date to January 1, 2026
- Change the Real-Time percentage allocations to be effective for the full three years rather than split rates over the 3-year period
 - The Real-Time Market percentage will be 64.5%
- Change the Transmission Ownership Rights Charge amount to be effective for the full three years rather than split rates over the 3-year period
 - The rate will be \$0.325/MWh

Tariff Amendments

The ISO also proposes to eliminate outdated System Operations Charge Exemption for Certain Long-Term Power Supply Contracts tariff language (eff. 1/1/24)

All proposed changes will require amendments to the following tariff sections:

- Section 11: ISO Settlements and Billing
- Section 29: Energy Imbalance Market
- Section 33: Extended Day-Ahead Market
- Appendix A: Definition Supplement
- Appendix F: Rate Schedules

Stakeholder Comments

Numerous stakeholders attended the July and August stakeholder meetings to discuss the Cost-of-Service study results and impacts to the GMC and other rates.

- No objections or concerns raised regarding the study's results, the proposed bifurcation of the System Operations Charge, the proposed GMC Revenue Requirement cap increase, or the proposed elimination of the outdated System Operations Charge Exemption for Certain Long-Term Power Supply Contracts language
- All of the stakeholder comments received were regarding the proposed EDAM administrative charge transitional load ramp-in

Key Calendar Dates and Next Steps

Date*	Event
✓ 7/5/2023	Cost-of-Service Study (DRAFT) posted
✓ 7/12/2023	1 st stakeholder meeting
✓ 8/14/2023	Cost-of-Service Study (draft final) and draft tariff revisions posted
✓ 8/31/2023	2 nd stakeholder meeting
9/19/2023	Present Cost-of-Service Study update and changes to the ISO Board of Governors and WEIM Governing Body (decisional and informational items)
10/5/2023	File tariff amendments

**Dates subject to change*

With approval, Management will file the necessary tariff amendments with FERC adjusting the relative percentage allocations and fee amounts; as well as amend the tariff to address the following items:

- Bifurcate the System Operations Charge (eff. 1/1/2026)
 - System Operations Real-Time Dispatch Charge
 - System Operations Balancing Authority Area Services Charge
- Establish the EDAM Administrative Charge transitional ramp-in of load volumes during the first four years of the EDAM operations
- Revise the GMC Revenue Requirement cap in 2025 to \$245M and in 2026 to \$250M
- Eliminate the System Operations Charge Exemption for Certain Long-Term Power Supply Contracts tariff language (eff. 1/1/2024)