



California ISO

2021 Revenue Requirement Initial Stakeholder Meeting and 2021 Rates and Fees Update – Draft Tariff Language Review

Stakeholder Call

July 29, 2020

Agenda

Topic

2021 Revenue Requirement Initial Stakeholder Meeting

2021 Rates and Fees Update – Draft Tariff Language Review



California ISO

2021 Revenue Requirement Initial Stakeholder Meeting

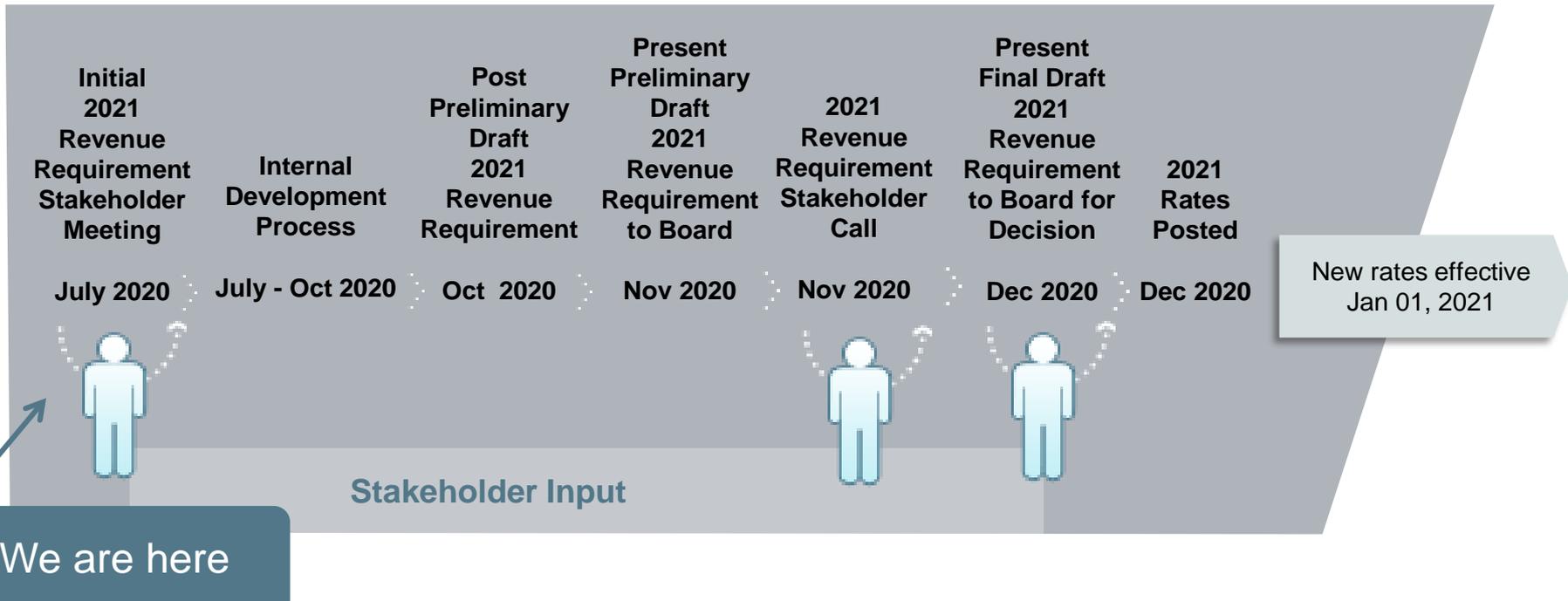
Stakeholder Call

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Topic	Presenters
Welcome and Introductions	James Bishara
Revenue Requirement and Rates Process	April Gordon
Managing Employee Compensation	Doreen Fender
Project Release Plans	Ken Kasparian
Project Summaries	Jan Cogdill
Financial Summaries	Denise Walsh
2021 Calendar & Next Steps	Thomas Setliff
Stakeholder Feedback & Discussion	Group

2021 Revenue Requirement and Rates Timeline

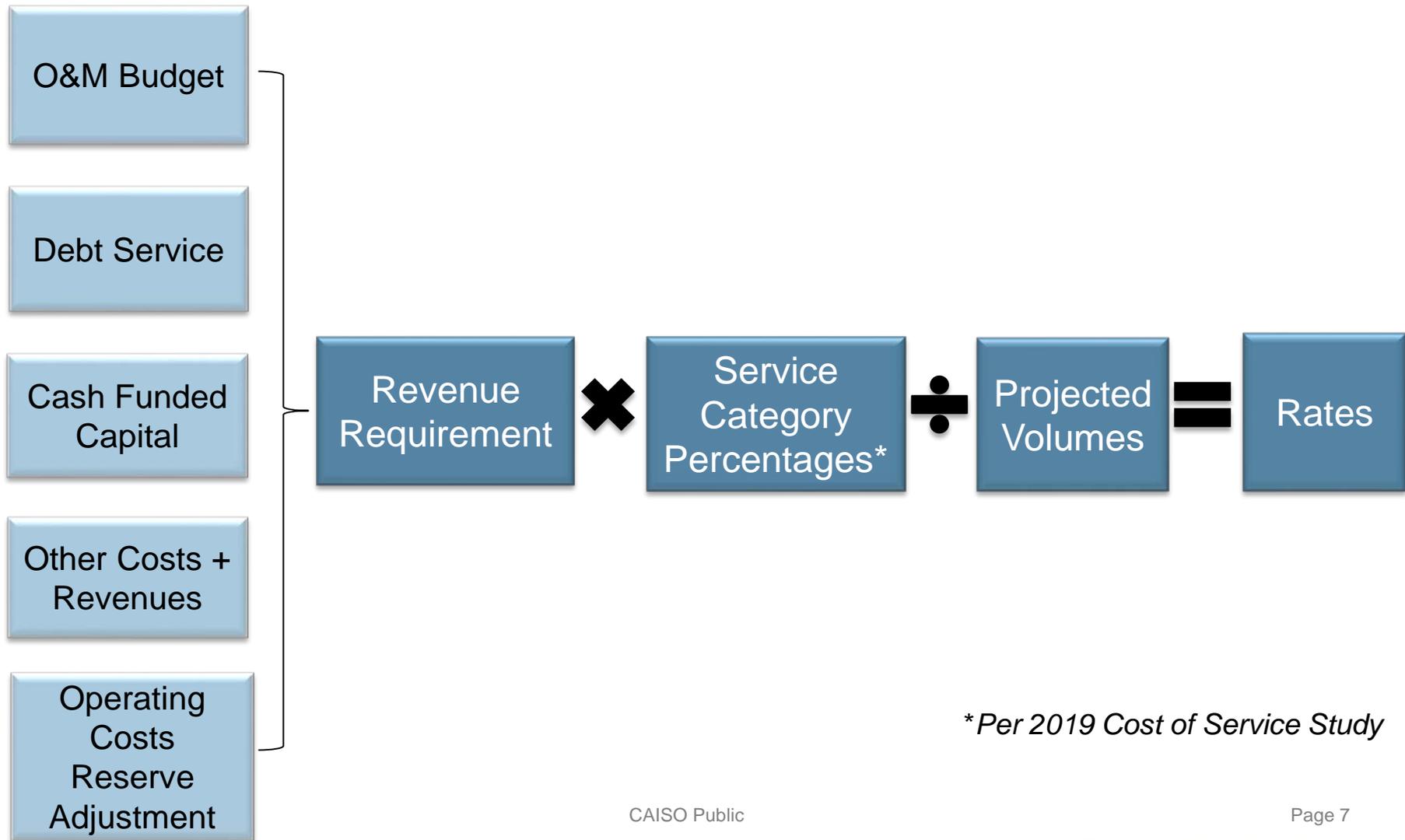


April Gordon

Director, Financial Planning and Procurement

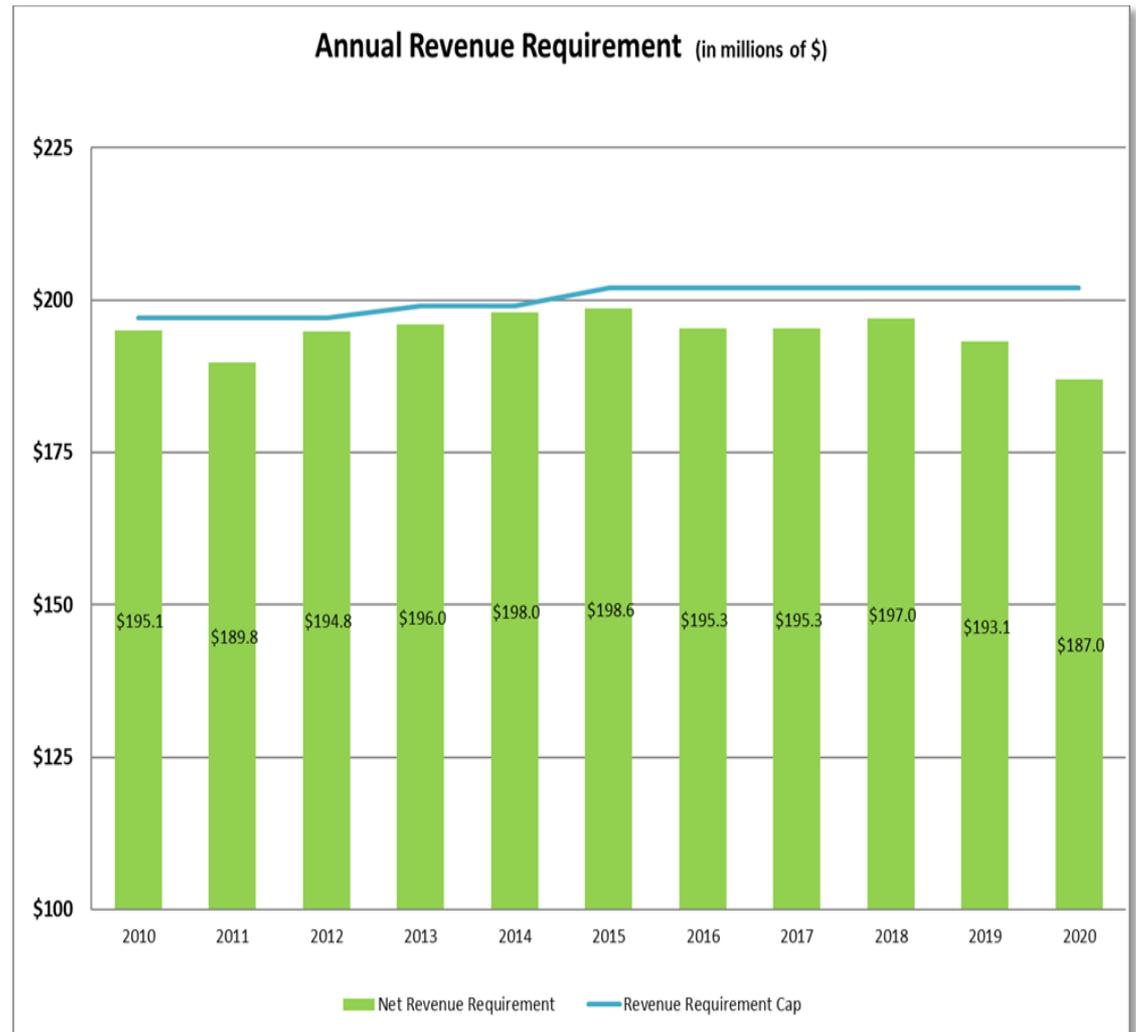
REVENUE REQUIREMENT AND RATES PROCESS

Revenue Requirement Components



Budgeting Principles

- Align Budget with ISO Strategic Vision
- Maintain Fiscal Discipline
- Encourage Collaboration
- Provide Transparency
- Maintain Stability



Fiscal Discipline Methodologies and Hot Topics

Methodologies

- Development: Zero Based Budgeting
- Management: Regular Financial Reviews

Hot Topic

- 2021 Rates and Fees Update
 - GMC and EIM Cost Category changes

Cost Category	Sub-Category*	2016 Study Effective 2018 GMC	2019 Study Effective 2021 GMC	Increase / (Decrease) from Prior
Market Services	Real Time Market	79%	63%	-16%
	Day Ahead Market	21%	37%	16%
System Operations	Real Time Dispatch	39%	50%	11%
	Balancing Authority Services	61%	50%	-11%
CRR Services		2%	2%	0%

*EIM categories highlighted

- RC Funding Percentage remains 9%
- Some Supplemental Fee changes

Doreen Fender

Senior Manager, Compensation and Systems

MANAGING EMPLOYEE COMPENSATION

Managing employee compensation reflects ISO philosophy to attract, train, motivate and retain top talent.

- **Competitive Pay**
 - Market pay practices
 - Bi-annual salary surveys covering 100% of ISO positions
- **Pay for Performance Philosophy**
 - High Performance Goals aligned to meet annual Corporate objectives
 - Board approved goals cascaded and tailored to individual employees
 - Year-end evaluation of performance results against objectives
 - Differentiation of merit dollars based on performance
- **Strong Performance Management Program**
 - Individual performance plans
 - Stretch objectives
 - Ongoing feedback, coaching and support
- **Budgeted Merit and Promotion Pool**
 - Optimal utilization of available salary dollars
 - Employee merit increases based on performance

Ken Kasparian

Manager, Strategic Initiative Business Analysis

PROJECT RELEASE PLANS

Project Release Planning Engagement Opportunities

Release Planning Process

- <http://www.caiso.com/informed/Pages/ReleasePlanning/Default.aspx>
- Information is updated and discussed regularly throughout the year

Stakeholder Initiative Milestones

- <http://www.caiso.com/Documents/ImplementationMilestones.xlsx>
- Updated on the first of each month
- Multi-year time horizon

Market Performance and Planning Forum

- Forum is held every eight weeks and includes technical and release plan updates

Release Users Group

- Bi-weekly updates to release plan
- Interactive review of project impact assessment and milestones

Technical Users Group

- Monthly discussion forum of technical topics
- Brainstorm and evaluate solutions for technology and process based problems

2021 Release Plan

Spring 2021

- Energy Imbalance Market (EIM) 2021 Public Service Company of New Mexico
- Energy Imbalance Market (EIM) 2021 North-Western Energy
- Energy Imbalance Market (EIM) 2021 Los Angeles Dept. of Water and Power
- Energy Imbalance Market (EIM) 2021 Turlock Irrigation District
- Energy Imbalance Market (EIM) 2021 BANC Phase 2 / WAPA

Fall 2021 – Tentative, subject to impact assessment

- Resource Adequacy Enhancements Track 1
- Energy Storage and Distributed Energy Resources Phase 4
- Import Bidding and Market Parameters (FERC 831)
- Flexible Ramping Product Improvements – Deliverability
- Contingency Modeling Enhancements – Transmission
- Hybrid Resources Phase 2

2022+ Release Plan

Spring 2022

- Energy Imbalance Market (EIM) 2022 - Avista
- Energy Imbalance Market (EIM) 2022 - Tucson Electric Power
- Energy Imbalance Market (EIM) 2022 – Tacoma Power
- Energy Imbalance Market (EIM) 2022 – Bonneville Power Administration
- Energy Imbalance Market (EIM) 2022 – Xcel Energy – Colorado

Fall 2022 – Tentative, subject to Stakeholder process and impact assessment

- Day-Ahead Market Enhancements
- Resource Adequacy Enhancements Track 2
- Storage as a Transmission Asset

Jan Cogdill
Lead, Financial Planning

PROJECT SUMMARIES

Capital and Project Budgets

- **2020 Budget**
 - Approved at \$22M

- **2021 Budget**
 - Targeted at \$20M - \$22M
 - At least 74 proposed projects will be prioritized to meet final budget limit

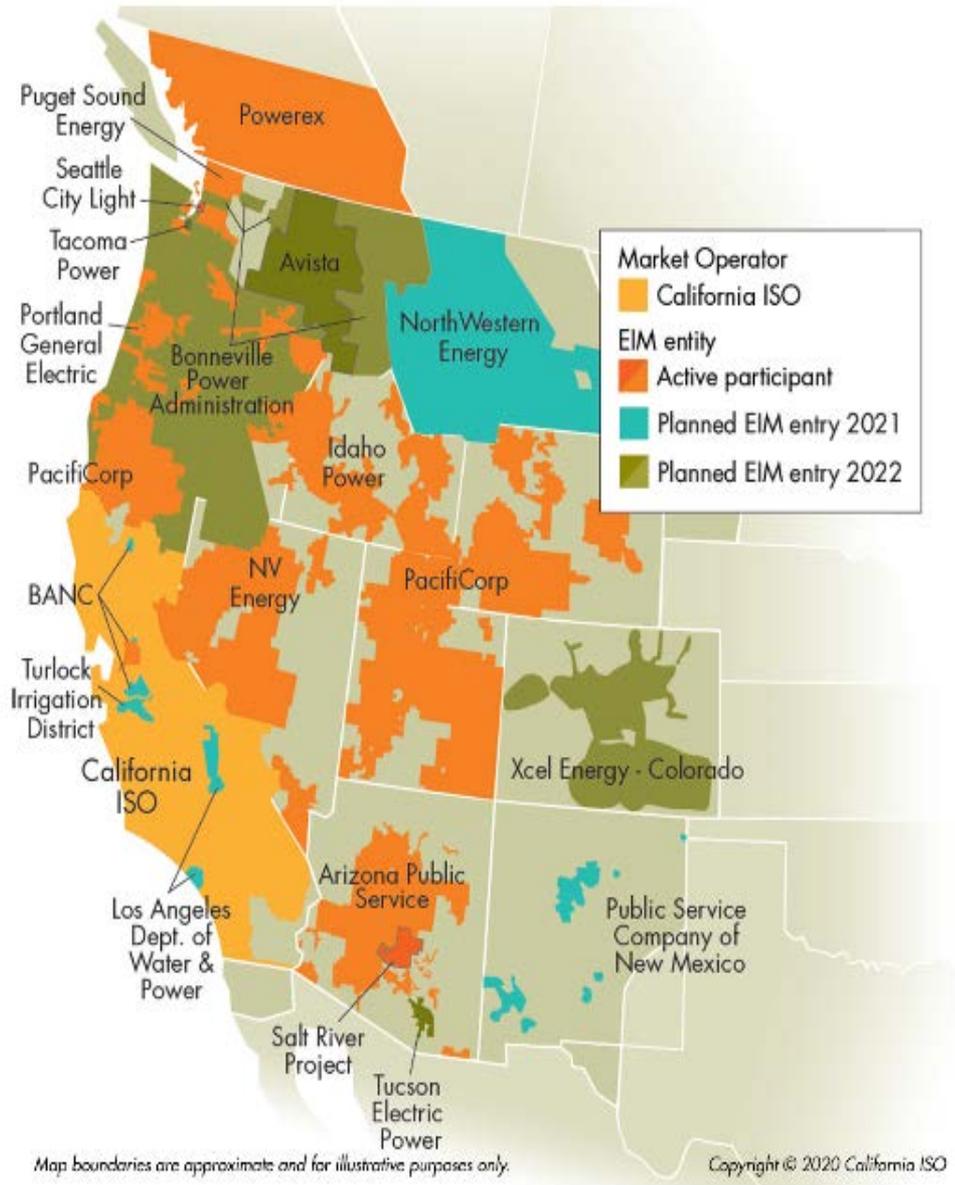
Summary of Completed and Active Projects

- **Completed projects from July 2019 to June 2020**
 - **26 Capital Projects**
 - Budgeted costs \$33.8M, actual costs \$33.4M
 - **35 Requirements & Other Projects**
 - Budgeted costs \$4.7M, actual costs \$4.5M
- **Active projects as of June 30, 2020**
 - **34 Capital Projects**
 - Budgeted costs \$25.1M, PTD costs \$4.9M
 - **26 Requirements & Other Projects**
 - Budgeted costs \$4.1M, PTD costs \$1.3M

EIM Implementations

Future implementations funded by the following entities:

- Balancing Authority of Northern California (Phase 2)
- Los Angeles Department of Water & Power
- Public Service Company of New Mexico
- NorthWestern Energy
- Turlock Irrigation District
- Avista
- Tucson Electric Power
- Tacoma Power
- Bonneville Power Administration
- Xcel Energy - Colorado



Denise Walsh
Controller

FINANCIAL SUMMARIES

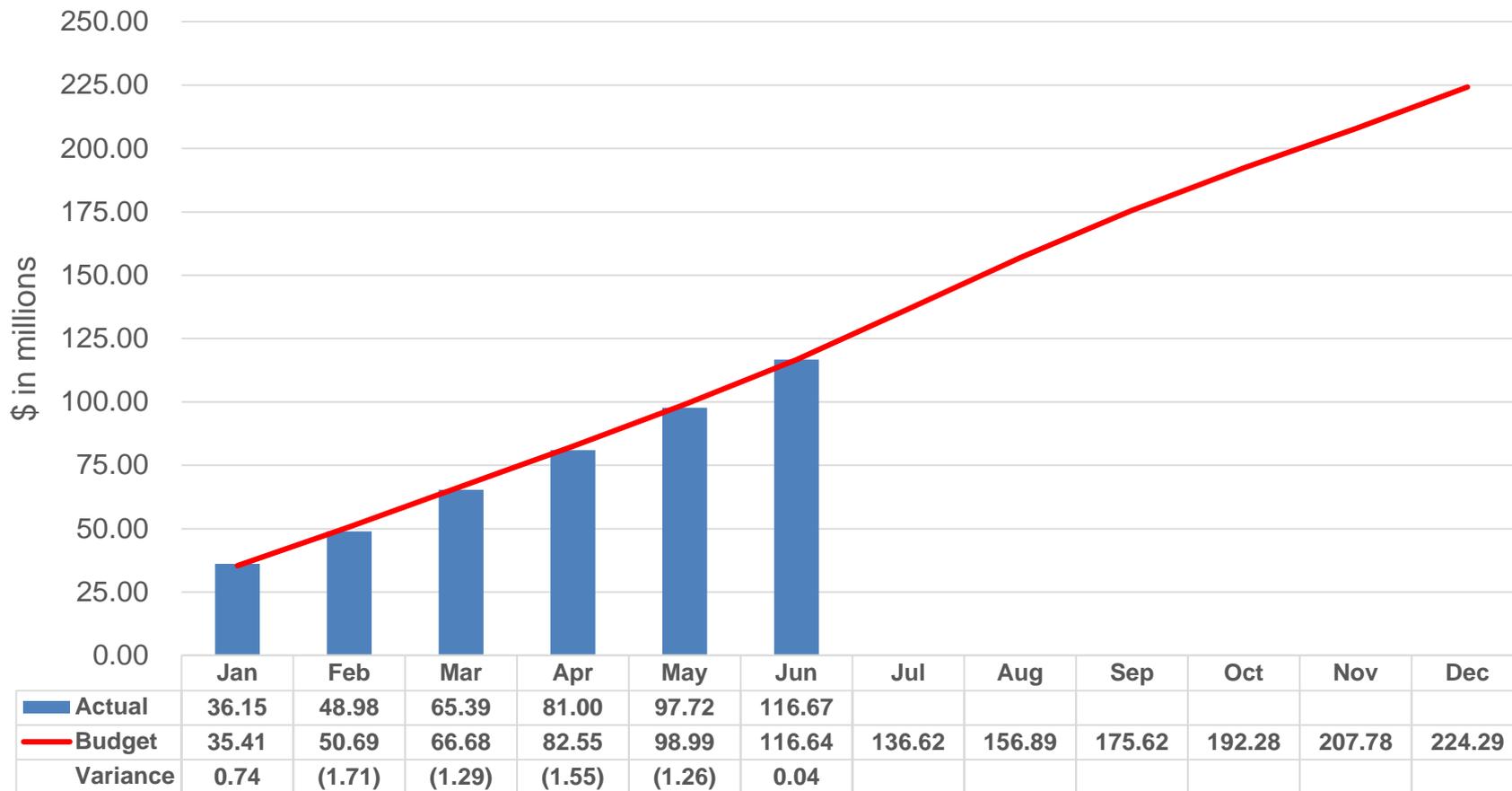
2019 Highlights

Key components of the audited 2019 financials:

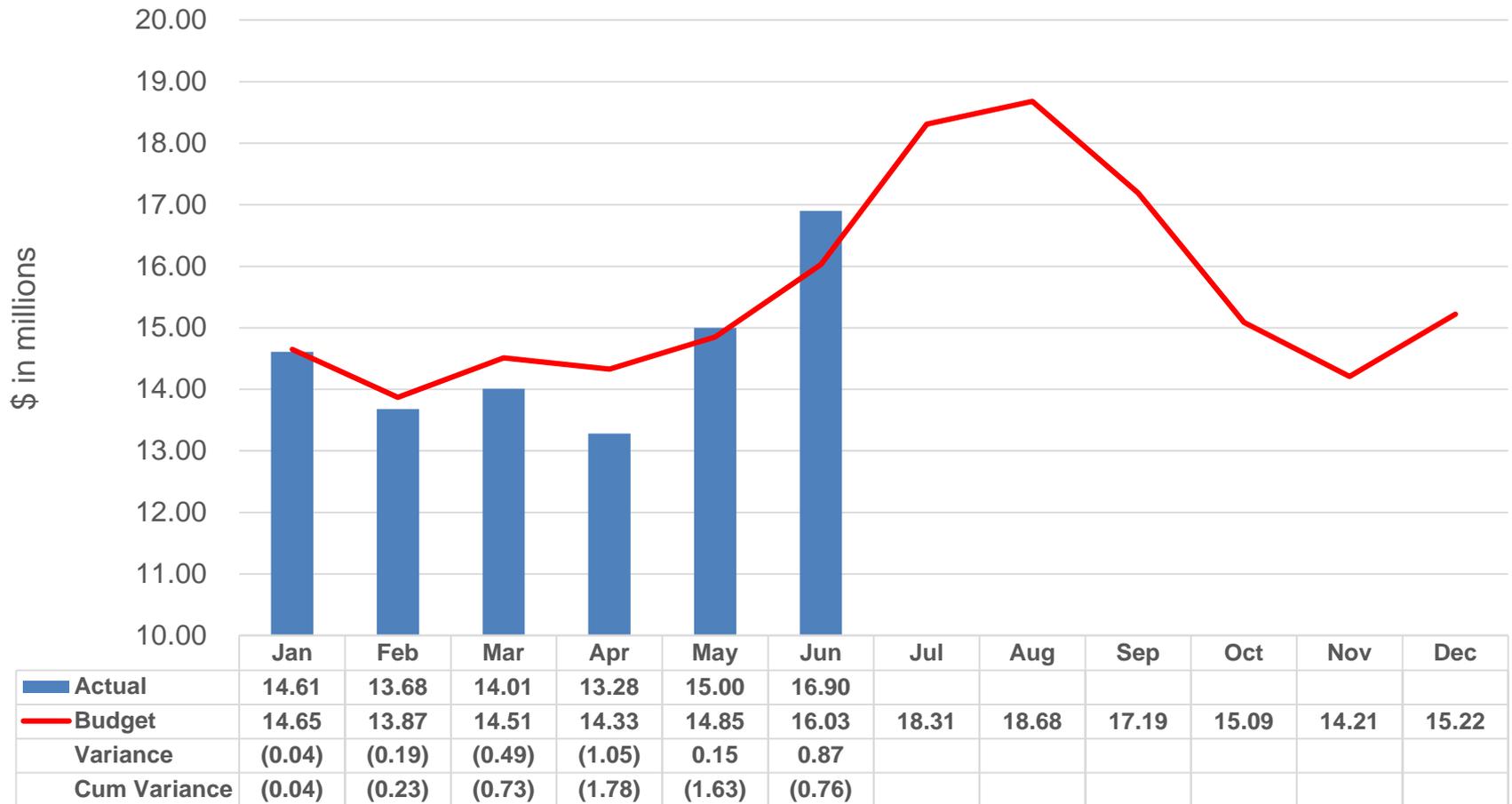
- **Operating revenues**
 - Finished the year over budget
 - Higher GMC revenues as well as higher miscellaneous revenues
 - EIM administrative charge
 - Forecasting fees
- **Operating expenses**
 - Finished the year under budget
 - Lower outside legal, audit, salaries, and consultant fees

Q2 2020 Cumulative Operating Revenues

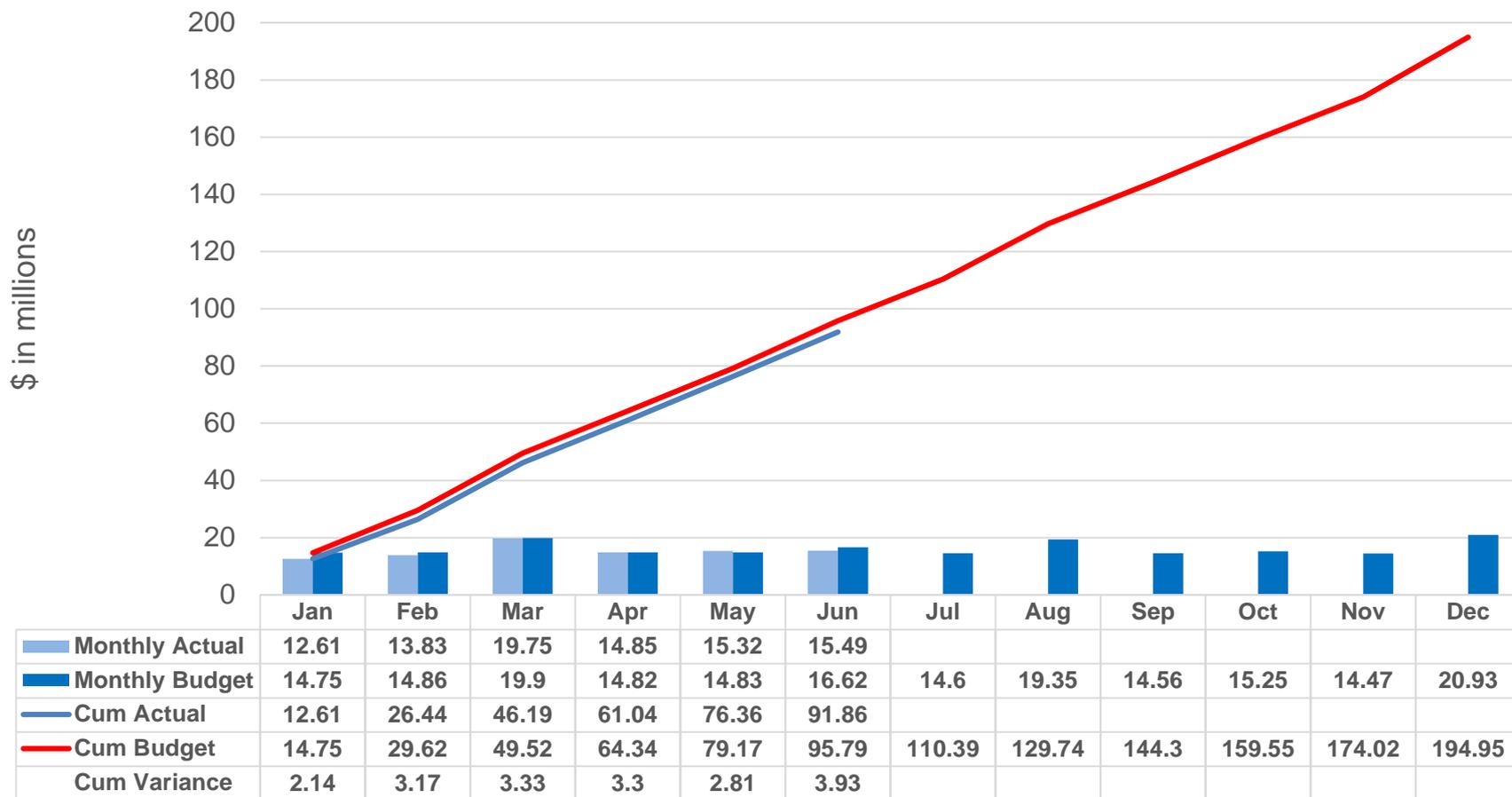
Revenues = GMC & Other Revenues



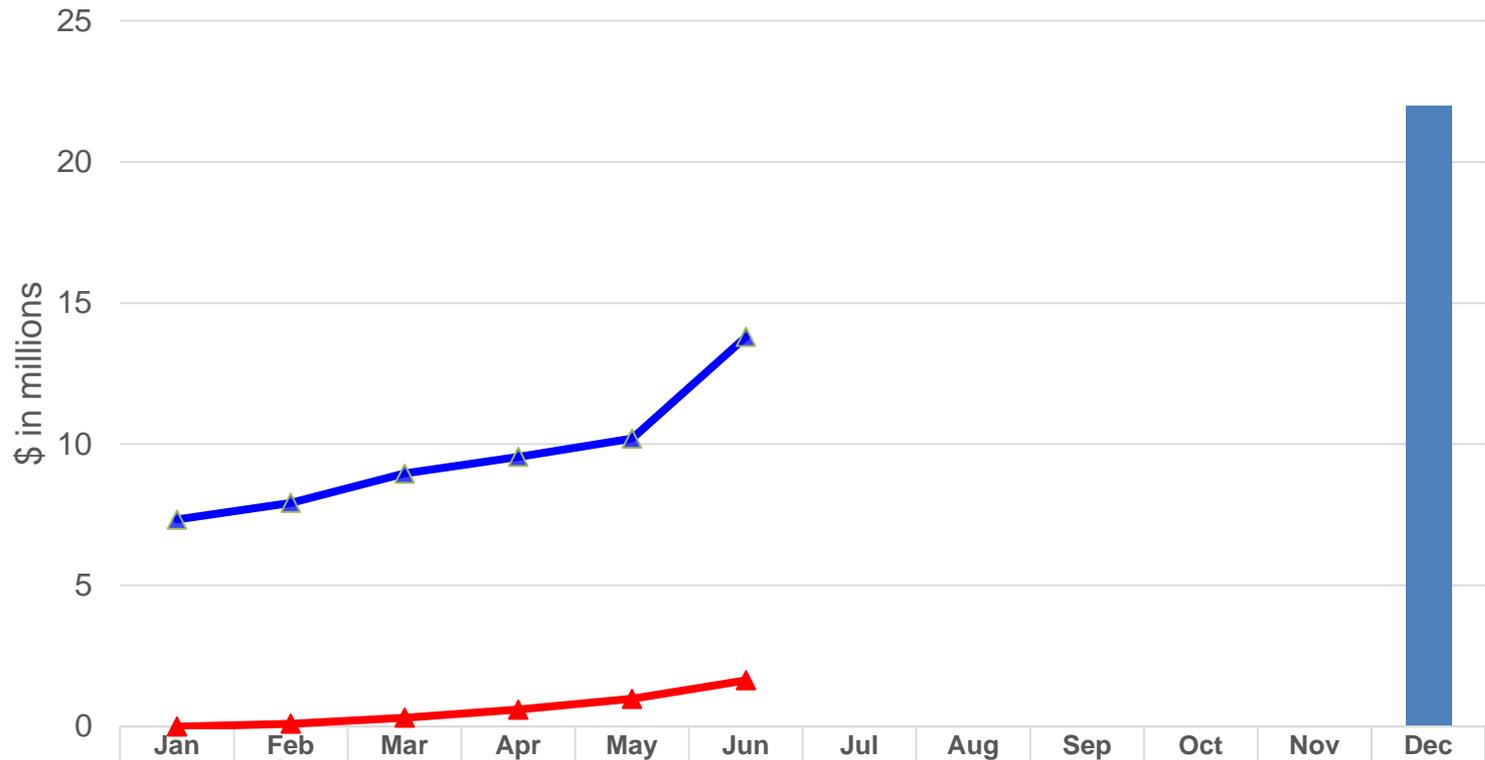
Q2 2020 Monthly GMC Revenues



Q2 2020 Operations and Maintenance Expenses



Q2 2020 Cumulative Capital Expenditures



	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec 22
Budgeted Capital												
Cum Expenditures	0.00	0.10	0.31	0.60	0.98	1.64						
Approved Projects	7.33	7.92	8.96	9.55	10.20	13.80						

Thomas Setliff
Sr. Budget Analyst

CALENDAR AND NEXT STEPS

Key Calendar Dates* and Next Steps

- Internal development process July – Oct
- Stakeholder comments due Aug 5
 - Send to initiativecomments@caiso.com
- ISO responses to stakeholder comments posted Aug 12
- Post preliminary draft 2021 Revenue Requirement Oct 30
- Stakeholder call to discuss draft Revenue Requirement Nov 16
- Board of Governors meeting (executive session) Nov 18-19
 - Present draft 2021 Revenue Requirement
- Written stakeholder comments due to ISO Nov 23
- Board of Governors meeting Dec 16-17
 - Public comments to board on final draft 2021 Revenue Requirement
 - Request approval of final draft 2021 Revenue Requirement
- Post Revenue Requirement and rates to ISO website Dec 23

*Dates are subject to change



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TOPIC

Tariff Amendments

Key Calendar Dates and Next Steps

Stakeholder Feedback and Discussion

Jordan Pinjuv

Sr. Counsel, Assistant General Counsel - Regulatory

TARIFF AMENDMENTS

Tariff Amendments

Appendix F: Rate Schedules

- Schedule 1, Part A: GMC Cost Category percentage changes
- Schedule 1, Part C: Clarifying Healthcare Reserve language
- Schedule 7: RC Funding Percentage and RC Funding Requirement clarifying language

Section 11: CAISO Settlements and Billing

- Section 11.22: Supplemental Fee changes

Section 4: Roles and Responsibilities

- Section 4.5: SC Application Fee change
- Section 4.10: CRR Application Fee change

Business Practice Manual Changes

BPM Changes

- Scheduling Coordinator Certification and Termination
 - Scheduling Coordinator Application Fee
- Candidate CRR Holder Registration
 - CRR Application Fee

Changes will be made through the BPM Change Management process.

- <https://bpmcm.caiso.com/Pages/default.aspx>

KEY CALENDAR DATES AND NEXT STEPS

Key Calendar Dates* and Next Steps

- Please submit follow up comments and / or questions to initiativecomments@caiso.com Aug 5
- ISO responses to stakeholder comments posted Aug 12
- Present 2021 rates and fee update to EIM Governing Body Sept. 16
- Present 2021 rates and fees update to Board of Governors Sept. 30 – Oct 1
- File amended Tariff with FERC October
- New rates and fees go into effect Jan. 1, 2021

*Dates are subject to change

Stakeholder Feedback and Discussion

- Comments? Questions?
- The discussion paper is available on the ISO website at <http://www.caiso.com/informed/Pages/StakeholderProcesses/Budget-GridManagementCharge.aspx>.