



California ISO

# Briefing on Draft 2021 Budget and Grid Management Charges

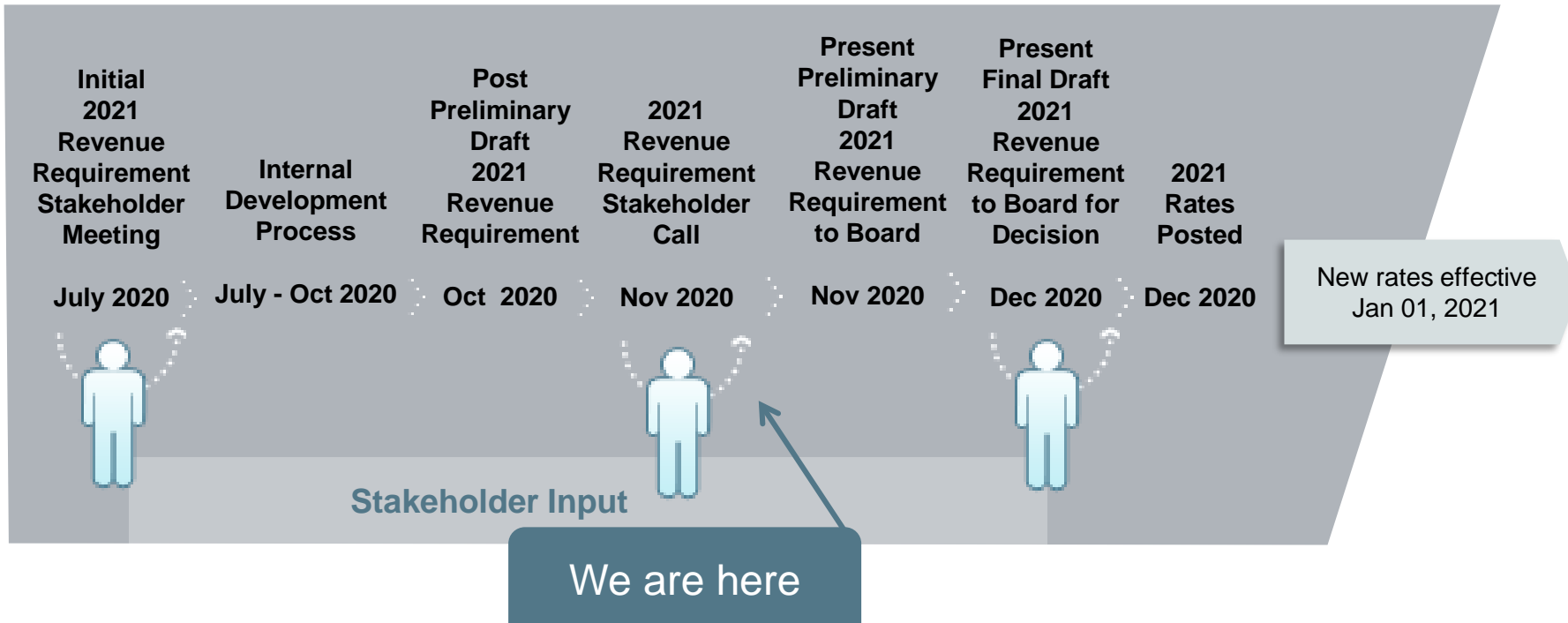
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Stakeholder Meeting

November 16, 2020

# 2021 Revenue Requirement and Rates Timeline



**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.

| <b>GMC Revenue Requirement (\$ in millions)</b> | <b>2021 Budget</b> | <b>2020 Budget</b> | <b>Change \$</b>  | <b>Change %</b> |
|---|--------------------|--------------------|-------------------|-----------------|
| 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%             |
| <b>Total GMC Revenue Requirement</b>            | <b>\$181.6</b>     | <b>\$187.0</b>     | <b>(\$5.4)</b>    | <b>-3%</b>      |
| Transmission Volume Estimate in TWh             | 237.3              | 238.4              | (1.1)             | 0%              |
| <b>Pro-forma bundled cost per MWh</b>           | <b>\$0.7653</b>    | <b>\$0.7844</b>    | <b>(\$0.0191)</b> | <b>-2%</b>      |

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

| <b>O&amp;M Budget by Resource<br/>(\$ in millions)</b> | <b>2021<br/>Budget</b> | <b>2020<br/>Budget</b> | <b>Change</b> |
|--|------------------------|------------------------|---------------|
| 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           |
| <b>Total</b>   | <b>\$200.8</b>         | <b>\$195.0</b>         | <b>\$5.8</b>  |

**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, which ultimately will be prioritized down to the final budgeted amount

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

| <b>Other Costs and Revenue<br/>(\$ in millions)</b> | <b>2021<br/>Budget</b> | <b>2020<br/>Budget</b> | <b>Change</b> |
|---|------------------------|------------------------|---------------|
| 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)         |
| <b>Total Other Costs and Revenue</b>                | <b>\$50.5</b>          | <b>\$41.3</b>          | <b>\$9.2</b>  |



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

| <b>Operating Cost Reserve Adjustment<br/>(\$ in millions)</b> | <b>2021<br/>Budget</b> | <b>2020<br/>Budget</b> | <b>Change</b> |
|---|------------------------|------------------------|---------------|
| 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           |
| <b>Total Operating Cost Reserve Credit / (Debit)</b>          | <b>\$13.6</b>          | <b>\$11.6</b>          | <b>\$2.0</b>  |

**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                  |
|------------------------------------|-------------------------------------|-----------|-----------|------------|-------------------------------|
| <b>Grid Management Charges</b>     |                                     |           |           |            |                               |
| 4560                               | Market Service Charge               | \$0.1508  | \$0.0994  | \$0.0514   | per MWh                       |
| 4561                               | Systems Operations Charge           | \$0.2086  | \$0.2788  | (\$0.0702) | per MWh                       |
| 4562                               | CRR Services Charge                 | \$0.0046  | \$0.0078  | (\$0.0032) | per MWh                       |
| <b>Miscellaneous Fixed Fees</b>    |                                     |           |           |            |                               |
| 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                 |
| <b>Supplemental Services Rates</b> |                                     |           |           |            |                               |
| 4564                               | EIM Market Service                  | \$0.0950  | \$0.0785  | \$0.0165   | per MWh                       |
| 4564                               | EIM System Operations               | \$0.1043  | \$0.1087  | (\$0.0044) | per MWh                       |
| 5701                               | RC Service Rate                     | \$0.0273  | \$0.0278  | (\$0.0005) | per MWh                       |

# Key calendar dates and next steps

| Upcoming Events   | Date                |
|---|---------------------|
| Final internal budgeting process  | November - December |
| Stakeholder comments due to ISO<br>Send to <a href="mailto:initiativecomments@caiso.com">initiativecomments@caiso.com</a> | November 23         |
| ISO response to comments and meeting minutes posted to ISO website  | December 2          |
| Board decision on GMC revenue requirement (general session)   | December 16-17      |
| 2021 Rates and GMC revenue requirement documentation posted to ISO website  | December 23         |