

**Stakeholder comments and questions from the 2020 Budget and Grid Management Charge Process stakeholder conference call meeting held on July 23, 2019.**

Supporting meeting documents can be found here,

<http://www.caiso.com/informed/Pages/StakeholderProcesses/Budget-GridManagementCharge.aspx>.

## Stakeholder Comments and Questions

Submitted by	Company or Entity	Date Submitted
Sean Neal (916) 498-0121	Modesto Irrigation District and City of Santa Clara, California dba Silicon Valley Power	July 30, 2019
James McFall, MID (209) 526-7521		
Ken Kohtz, SVP (408) 615-6676		

### Comments and Questions 2020 CAISO Budget and GMC

The Modesto Irrigation District (“MID”) and City of Santa Clara, California, dba Silicon Valley Power (“SVP”) thank the California Independent System Operator Corporation (“CAISO”) for the opportunity to submit comments and questions both at and following the July 23, 2019 stakeholder meeting regarding the CAISO’s 2020 Budget and Grid Management Charge (“GMC”).

**Following up on matters discussed during the July 23 Stakeholder Meeting regarding CAISO’s 2020 Budget and GMC process, including associated financial statements and documents, MID and SVP request that the CAISO provide responses to the following questions:**

## Regarding the CAISO's Financial Summaries:

1) On page 3 (Capital Projects Report) of the “Quarterly Financial Report (June 30, 2019)” and “Quarterly Financial Report (March 31, 2019)”, please explain whether the “Grid Evolution Readiness and Regional Innovation Opportunities” project classification (for which the \$1.15 million budget has not been expended through Q2) is intended to cover the anticipated extended day-ahead market (“EDAM”) initiative. If not, please explain what this project classification will cover, if anything, in Q3 and Q4 of 2019.

There has been no capital project budget allocated to the EDAM initiative to date as that project is still being reviewed.

From the 2019 Budget and GMC Rates Book, approved by the Board in December 2018, the \$1.15 million proposed capital allocation to the Grid Evolution Readiness and Regional Innovation Opportunities classification was for three potential projects: Agreement Management System (AMS) application, Frequency response analysis tool, and Interconnection Process enhancements. At this time, the expectation is that both the ASM project and Frequency response analysis tool will be deferred. The Interconnection Process enhancements was approved by Corporate Management Committee (CMC) in July 2019.

The annual Budget and GMC Rates Book is the starting point each year for proposed projects that will consume the capital/project budget that the Board approves. That listing functions as a guide for the CMC as they approve projects on a monthly basis. The listing is reviewed monthly with the Program Office to determine what is going to be presented to the CMC and what might have changed. Some of those items will not be done this year and other items have moved onto the list to be completed this year.

2) On page 3 (Capital Projects Report) of the “Quarterly Financial Report (June 30, 2019)” and “Quarterly Financial Report (March 31, 2019)”, please explain why the “Focus on Customer Service and Other Costs” category exceeded the 2019 budget in Q1 by \$550,000, and where in the budget CAISO plans to recover this excess.

From the 3 items listed in the 2019 Budget and GMC Rates Book, the Facilities replacement reserve and the Campus Operation annual funding have been approved, while the external training program will be coming later this year. The new item that was added to this classification was a Lincoln video wall expansion. All of these projects are listed on the Active Projects Listing provided.

The Board approved a capital/project budget of \$22M, so as other projects are deferred, come in less than expected, or are eliminated, the exceeded budget line will be covered.

3) On page 32 of the “CAISO Financial Statements (December 31, 2018 and 2017)”, the PWC audit describes changes in CAISO’s Retirees Medical Plan effective January 1, 2019. Please explain how these changes to the retirement plan are anticipated to impact the CAISO’s budget, if at all, in 2020.

As described in the 2018 CAISO Financial Statements, the Retirees Medical Plan was amended effective January 1, 2019 to close the plan to new hires and rehires. Additionally, eligibility requirements were modified to an age plus length of service formula, and limits were placed on certain dependent coverages. The combined changes resulted in the recognition of a one-time expense of \$3.6 million that was absorbed in 2018; however, in the future, these changes are projected to result in a reduction of expenses. Prior to the changes, the related expenses for 2019 were projected to be \$2.2 million, but with the changes that went into effect, the revised expense is projected to be \$1.6 million. Approximately, the same amount is expected to be expensed in 2020.

**Regarding the CAISO’s “Preliminary Project Listing 2020-2021”:**

Please refer to the 2019 Budget and GMC Rates Book, Section VII Capital/Project Budget and Cash-Funded Capital, for an overview of the capital process and the development of the final project listing that will be presented in December 2019. A preliminary listing will be presented at the next stakeholder meeting with sizing information.

1) Please describe what improvements the “TAC billing” project is intended to cover, and how this item relates, if at all, to the “Transmission Access Charge Structure Enhancements” line item (Capital ID #21377) listed in “California ISO Active Projects as of June 30, 2019.”

These are the same project. The TAC billing name was introduced in previous budget years and carried forward since the initiative changed to an ‘Inactive’ status. It will be renamed to Transmission Access Charge Structure Enhancements to align with the policy initiative description.

2) Please explain the anticipated budget, if any, for the “Storage as a Transmission Asset” project, relative to the “Energy storage and distributed energy resources (ESDER) phase 4” project.

Storage as a Transmission Asset and ESDER phase 4 are two separate initiatives on the policy roadmap with different scope. We forecast separate budgets for each initiative.

3) Please explain the anticipated budget for the “FERC Order 841 removes barriers to the participation of electric storage resources” project, and its relation, if any, to the “FERC 841- NGR Model” line item in “California ISO Active Projects

as of June 30, 2019” (Capital ID # 21363). Please distinguish what each of these projects is intended to cover.

These are the same project addressing impacts from FERC order 841. Our internal list has the name FERC841, but a longer description added in 2019 for external communications to help provide context of what 841 was about versus other FERC orders. When the project was initiated the shorter name was used on limited understanding of the impacts. When the project was pulled forward from 2019 the name should have been aligned better to avoid confusion.

4) Please explain the distinction between the “Technology robustness 2020” and “Technology system improvements (TSI)” projects in terms of what each project will address.

Both of these projects are related to improving the ISO systems, however, the goals of the projects and type of scope are different. The TSI project is setup to focus on a broad range of system changes that are not large and can be grouped for a quick and efficient delivery. The robustness project is focused from architectural analysis and longer term planning perspective to reduce the risk of unplanned outages from the underlying infrastructure, tools, and process.

5) Please explain the “Vulnerability scanner” project. Please also indicate whether this project relates to compliance with NERC Reliability Standard CIP-008-6, or other cybersecurity standards.

This project will replace one of the tools currently in use to satisfy our CIP requirements with another tool gaining efficiencies due to the integration with other security tools and the inherent characteristics of the new tool.

6) CAISO recently indicated in the Resource Adequacy (“RA”) Enhancements stakeholder initiative that enhancements would need to be made to its Outage Management System (“OMS”) in order to determine resource-specific forced outage rates and to track outage rates as part of its System RA “UCAP” proposal.<sup>1</sup> Please indicate which, if any, of the following projects would apply to enhancements to OMS: (a) “Customer ISO resource adequacy (CIRA) technical enhancement”; (b) “Outage optimization Phase 2”; (c) “Resource adequacy enhancements”; and (d) “Robustness (data streams quality) improvements.” Please describe which, if any, of the above listed projects, a) through d), would apply to any other activities proposed to be undertaken in the CAISO’s RA Enhancements stakeholder initiative. Please describe what each project listed above, a) through d), would entail.

---

<sup>1</sup> See e.g., Revised Straw Proposal (July 1, 2019) at 14, 18, <http://www.caiso.com/Documents/RevisedStrawProposal-ResourceAdequacyEnhancements.pdf>.  
Questions and comments should be directed to: [initiativecomments@caiso.com](mailto:initiativecomments@caiso.com).

Potential system impacts on projects can be assumed based on the ISO business functions that are changing but are not further refined until the project scoping is complete which would occur during the Initialization and Planning Phase of the project. During the Impact Assessment and Architecture Definition processes these impacts are further analyzed before being officially communicated externally through the Release User Group (RUG). As for potential OMS impacts from these projects, below is a very preliminary estimate but please monitor the RUG communications prior to making any plans:

1. CIRA Enhancements – Likely impacts
2. Outage optimization Phase 2 – Possible impacts
3. Resource Adequacy Enhancements – Likely impacts
4. Robustness – Not likely, but if so should not be external impacting due to the nature of the project.

7) Please describe what the “Flexible ramping product enhancements” project budget would entail.

This project will provide funding to address any identified enhancements by the Market analysis team related to the Flexible ramping. At this point a specific scope has not been determined but would be completed as part of the project initiation. Since we are early in the budgeting process the specific scope items have not been finalized.

**Regarding the “California ISO Projects Completed July 2018 through June 2019” document:**

1) Please explain what the “HANA NON Capital” line item (Capital ID # 21365) entailed. Please explain whether this line item was associated with Reliability Coordinator (“RC”) customers solely during the initial onboarding phase (where customers commenced receiving RC services from RC West as of July 1, 2019). Please explain whether additional costs are expected for HANA NON Capital as more RC customers onboard in Fall 2019 and in which project category these costs are budgeted.

The HANA Non-Capital project was for business analysis and software requirements only, and has already been closed.

All costs for RC customer onboarding will be handled under the existing RC project budget if needed. Ongoing costs will be in our Operations and Maintenance budget.

2) Please describe what expenditures the “LMPM Enhancements” line item (Capital ID # 21374) covered. Please explain how the completed project differs, if at all, from the “LMPM Enhancements” project (Capital ID # 12431) included in the “California ISO Active Projects as of June 30, 2019”, including an explanation

of the increase in the approved budget between the 2018 approved item and the 2019 approved item.

Generally most of the projects listed in the “Requirements and Other Projects” section are for the business requirements of each project (which cannot be capitalized) before it is presented for full funding as a capital project. All projects generally have a requirement project number that is indicated by a 21xxx code, which is closed after the related capital project is setup. Once capital funding is approved that project converts to a 1xxxx code and all related costs are recorded against it.

The costs that are included in requirement projects are for Project Managers and Business Analysts to prepare business requirement documents and the Project Plan so that costs can be forecasted to complete required system development and testing for the project to be presented to the CMC for funding approval. Project 21374 started in 2018 to develop requirements for the future capital project. Project 12431 is the capital funding for the design, development and testing for the software development and does not include any requirements cost which was approved and started in 2019.

3) Please explain what the “2017 Hardware and Software Purchases” project (Capital ID #12639/12640) included.

The Hardware and Software Purchases project is generally an annual allocation of capital/project budget project to provide for purchases of miscellaneous software, licensing true-up, server refreshes, data management, storage and backup software, network switches and other equipment replacement as needed. This project’s goal is to maintain reliability in a continuously transforming information technology and power industry. The project referenced in the question above was for 2017 purchases and some carry-over purchases in 2018. All requests for purchases are reviewed and approved before any purchase is made.

**Regarding the “California ISO Active Projects as of June 30, 2019” document:**

1) With respect to the line item “Day Ahead Market Enhancements” (Capital ID # 12418) for which a \$258,500 budget was approved in 2018, please explain whether the project budget will be reduced, now that CAISO is not pursuing 15-minute scheduling.

The project will only be reduced by the remaining balance of \$4,203. As indicated, we have spent \$184,623 to date and still have a contract commitment of \$69,674 outstanding.

2) Please describe what improvements the “Software Security Implementation” line item (Capital ID # 21381) includes and whether those improvements will be pursued in Q3 and Q4.

This project is for our market system vendor to implement the CAISO security requirement for software development. This covers the cost to set up tools and systems to perform the security scanning, reporting, and server setup that the CAISO is requiring of our vendor (as part of the Supply Change Management for CIP 013). No additional costs for Q3 2019 or Q4 2019 are expected.