

**Stakeholder comments and questions from the
2019 Cost of Service Study and 2021 GMC Update
 stakeholder conference call meeting held on June 24, 2020**

Supporting meeting documents and stakeholder comments 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
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The City of Santa Clara, California, dba Silicon Valley Power (“SVP”) and the Modesto Irrigation District (“MID”) thank the California Independent System Operator Corporation (“CAISO”) for the opportunity to submit comments and questions in connection with the CAISO’s Draft 2019 Cost of Service Study and 2021 Grid Management Charge (“GMC”) Update, and June 24, 2020 stakeholder webconference. SVP and MID have the following two questions, which they request the CAISO to answer:

- During the CAISO’s June 24, 2020 presentation and in the Draft 2019 Cost of Service Study and 2021 GMC Update, CAISO proposes a shift in allocation from the System Operations category to the Market Services category, providing the rationale that this shift results from the “automation of services, system improvements, and process efficiencies” with regard to the System Operations functions. Please elaborate on the “automation of services, system improvements, and process efficiencies” underlying the changes in the GMC service category revenue requirement allocation percentages, providing specific examples.
- During the CAISO’s June 24, 2020 presentation and in the Draft 2019 Cost of Service Study and 2021 GMC Update, CAISO raises EIM cost subcategory shifts (i.e., a 16% decrease to the real-time market subcategory of the Market Services Charge, and a 11% increase to the real-time dispatch subcategory of the System

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Operations Charge). CAISO explains these shifts in EIM cost subcategories as resulting from a “balancing of efforts between the market services and system operations functions and responsibilities.” Please provide further detail as to the reasons for the aforementioned shifts among EIM cost subcategories.

ISO Response

With a focus to keep its business processes current and in preparation of kicking off its Reliability Coordinator services, the CAISO underwent a corporate wide process improvement and system improvement effort to update its process and project coding system, update its business processes, and re-educate its staff on the proper use of time reporting codes. This effort led to a number of improvements such as improved time card data collected and project data recorded. It also led to a clean-up of the CAISO business process and project coding system. Lastly, this effort reevaluated direct costs vs. indirect costs and the weighting of the process tasks. CAISO’s leadership team, as well as business process owners, participated in weighting the business process tasks, which led to a finer granularity of cost drivers.

The introduction of the Reliability Coordinator (RC) Services category also contributed to the shift. A number of the RC functions previously existed in the System Operations category as identified in the RC Rate Design proposal¹. With the introduction of the RC Services category, a percentage of those functions were categorized under the RC Services category, which caused a shift from the System Operations category. The shift contributed to the reduction of the System Operations category cost which effectively contributed to the balancing of the costs between the System Operations and Market Services cost categories and their sub-categories.

Improved automation of services, like with Existing Transmission Contract Calculator (ETCC), allowed for improved integration with other tools which allowed CAISO staff to better utilize their time spent of System Operations functions and devote more time spent on Market Services functions.

The combination of the aforementioned shift drivers led to a balancing of the costs as illustrated below; in other words, the costs were split 50/50 between direct and indirect categories. The balancing of direct costs and indirect costs in combination with the new weighting of the tasks resulted in a time and resource shift in the System Operations cost category and Market Services cost category as well as a shift within their sub-categories.

¹<http://www.caiso.com/Documents/DraftFinalProposal-ReliabilityCoordinatorRateDesign-Terms-Conditions.pdf>

COSS: Direct Costs vs. Indirect Costs History <i>(\$\$ in thousands)</i>	2016		2019	
	\$\$	%	\$\$	%
	Direct Costs	\$ 57,780	30%	\$ 89,579
Indirect Costs	\$ 137,560	70%	\$ 89,213	50%
Total	\$ 195,340	100%	\$ 178,792	100%

COSS: Cost Category History <i>(\$\$ in thousands)</i>	2016		2019	
	\$\$	%	\$\$	%
	Market Services	\$ 62,591	32%	\$ 86,777
System Operations	\$ 129,059	66%	\$ 88,050	49%
CRR Services	\$ 3,690	2%	\$ 3,965	2%
Total	\$ 195,340	100%	\$ 178,792	100%

Submitted by	Company or Entity	Date Submitted
Michael Rosenberg	Joint Amber Power LLC and ETRACOM LLC Comments	July 6, 2020

We are commenting on the Charge Code CC 4575 SCID Fee which currently results in a monthly charge of \$1,000, which monthly charge is proposed to be increased to \$1,500 in the latest CAISO proposal, for each month during which there is any billing activity – even when just one settlement statement is issued – for a Scheduling Coordinator. This charge is currently applied uniformly at \$1,000 per Scheduling Coordinator ID (SCID) or CRR Account holder ID per month.

We questioned the justification by CAISO for this flat fee before (see, e.g., <http://www.caiso.com/Documents/AmberPowerComments-2019Budget-GridManagementChargeProcess.pdf>). In the example we provided in the prior comments and also on the latest Cost of Service Study and GMC Update Process Call (“Call”), if a market participant adds 10 SCIDs, such addition will generate \$10,000 per month and respectively \$120,000 annually in fees for the ISO. In the latest proposal such addition of 10 SCIDs will generate \$15,000 per month or, equivalently, \$180,000 per year. Realistically, when a market participant adds 10 SCIDs, CAISO does not need to hire an additional full-time senior analyst or a senior manager on an ongoing basis to add 10 additional billing streams of settlement statements and invoices to its publication stream set on an ongoing basis. The incremental cost of computer processing is probably closer to zero if not exactly zero.

Furthermore, other ISOs, such as PJM, MISO, SPP, and ERCOT, the practices of which we reviewed, do not charge for additional market participant sub-account IDs. The argument that CAISO proposed on the Call that such fee “deters abuse” by market participants requesting additional multiple IDs and thus overwhelming the system rings hollow as the complete lack of such a fee is somehow not causing any such abuse at other ISOs. It appears instead that Market Participants in other ISOs request what they truly need for their operations without any arbitrary proliferation of IDs with no operational needs. If anything, whatever restrictions on the number of free sub-account IDs ISOs had had, they have recently moved to lift any limits on the number of sub-account IDs for their market participants (e.g. ERCOT).

The triennial study, which has well thought out and detailed explanations for the determination of some fees, entirely glosses over the details of the determination of charge code 4575. The absence of a reasoned explanation strongly suggests that CAISO fudged this part of the fee schedule.

The total arbitrariness of the \$1,000 per month per sub-account or the proposed \$1,500 per month per sub-account charge is also apparent from the amounts themselves. Such round values usually come out of arbitrary assignments and not as a result of any study, which most likely would suggest a value of zero if it were guided by the proper principle of aligning cost causation and cost allocation. Given the history of this charge, including its completely arbitrary value assignment at the beginning of MRTU, We are not surprised that CAISO could not provide any justification to this value on the Call – we suspect that there is simply none.

Given the long sunset provisions on settlement statements, CAISO stands to collect this fee long after any market activity ceased in a given account, as long as CAISO keeps publishing corrections and resettlements any number of years into the future. It does not cost \$1,000 or 1,500 to publish a recalculation statement.

Lastly, this cost of SCID maintenance should be conflated with the cost of setting up an additional SCID. While CAISO appeared to be not in control of real costs associated with the SCID start-up costs, providing anecdotal evidence of multiple emails and other “busy” activity associated with account set up, we suspect the cost of it, whether \$5,000 or \$7,500 is as artificially set as the \$1,000 or \$1,500 for the monthly maintenance fee and also requires a careful study.

Given the apparent misalignment of cost causation with cost allocation in setting the cost of the maintenance of SCIDs, we request an actual review and the appropriate adjustment of Charge Code 4575 SCID Fee in the current Cost of Service Study and GMC Update Process. Such a review should result in either a zero or a negligible charge and align CAISO with other ISOs on this matter.

CAISO cannot continue to ignore the basic principles of cost allocation, long upheld by FERC for the ISO market design.

ISO Response

Justifications for the SCID fee are provided in the cost of service study paper and ISO comments were expressed during the stakeholder meeting. In addition, the calculation of the proposed SCID fee is presented below.

Scheduling Coordinator ID Fee			2019 COSS
SCID Related Costs			
ABC Code	Task Code	ABC Level 2 Activity	Amount (\$ in thousands)
80001	201	Develop and Monitor Regulatory Contract Procedures	\$ 612
80004	308	Manage Credit & Collateral	\$ 313
80004	309	Resource Management	\$ 669
80004	321	Schedule Coordinator Management	\$ 87
80007	403	Manage Market Quality System	\$ 287
80007	412	Manage Market Billing & Settlements	\$ 600
80009	519	Provision and Manage Access	\$ 561
Applicable Direct Costs			\$ 3,129
Total Market Services Direct Costs			\$ 43,641
Percentage of SCIDs of Market Services Direct Costs			7%
Total Market Services Indirect Costs			\$ 43,136
Percentage Per Above			7%
Applicable Indirect Costs			\$ 3,020
Total SCID Related Costs			\$ 6,149
SCID Fee Calculation			
			Amount
Total Applicable Direct and Indirect Costs			\$ 6,148,520
Number of SCIDs (12/2019)			341
Annual Cost per ID			\$ 18,031
Monthly Cost per ID			\$ 1,503
Monthly Fee per ID (rounded)			\$ 1,500



The calculation and assessment of the SCID fee is aligned with the CAISO ratemaking principles.

The costs to manage the accounts are properly allocated to the fee, which illustrates cost causation. The costs and billing determinants are clear, visible, and understandable, which illustrates transparency. Customers are able to determine in advance what their SCID fee cost will be depending on their activity, which illustrates predictability. The SCID fee can be forecasted by both the ISO and SC, which illustrates forecastability. The fee is updated every three years to reflect any enhancements made to the overall structure (systems and processes), which illustrates flexibility. The calculation of the fee is simple yet effective in its design, which illustrates simplicity. Finally, the fee is assessed to those customers that use and benefit from the ISO's systems, processes and services, which illustrates focus on use. Given these consideration, the fee is fair and justly assessed.

In as far as how the fee is assessed, the SCID fee is assessed in any given trade month where the SC was active in the market. It is assessed only once per trade month regardless of the number of Settlement Statements published. For example, during a normal Settlement Cycle, the ISO will publish a settlement statement for T+3B, T+12B, and T+55B, which represents one Initial Statement and two recalculation statements. If an SC is active during this trade month settlement cycle, it will receive a single SCID assessment of \$1,000 and not \$3,000 as indicated in the response. This concept holds true even if optional statements are executed (T+9M, T+18M, T+33M, and T+36M). The SC is only assessed \$1,000. In addition, the assessment of the \$1,000 is only if the SC is participating in the ISO Markets. If the SCID is active for the entire year but participated in ISO Markets for Trade Months January, February and March but were not active for the balance of the year, the SCID fee would only be assessed for January, February, and March (\$3,000) and not for the entire year in which the SCID is active.