



# Briefing on 2023 Cost of Service Study and 2024-2026 GMC Update

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Stakeholder Meeting Call

July 12, 2023

# Agenda

TOPIC
Cost of Service Study Overview
Summary of 2023 COSS Results
Other Changes
Planned Tariff Amendments
Key Calendar Dates and Next Steps
Stakeholder Feedback and Discussion

# 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

# Mapping of Core Business Processes

ABC Process Code	Level 1 ABC Activity	Number of Level 2 Activity Tasks
<b>Direct Operating Costs</b>		
80001	Develop Infrastructure	9
80002	Develop Markets	6
80004	Manage Market & Reliability Data & Modeling	17
80005	Manage Market & Grid	11
80007	Manage Operations Support & Settlements	11
80008	Plan & Manage Business	11
80009	Support Business Services	32
80010	Support Customers & Stakeholders	6
	<b>Total</b>	<b>103</b>
<b>Indirect Operating Costs</b>		
80003	Manage Human Capabilities	9
<b>9</b>	<b>Total</b>	<b>112</b>

# Summary of 2023 COSS Results

Item	GMC Revenue Requirement		
	2024	2025	2026
<b>Grid Management Charges</b>			
GMC Cost Category Percentages	No Change	<b>Changes</b>	
Market Services	49%		
System Operations	49%	Charge Retired	
NEW: System Operations Real-Time Dispatch		23%	
New: System Operations Balance Authority Area Services		26%	
CRR Services	2%		
<b>Western Energy Imbalance Market</b>			
WEIM Percentage Allocations	<b>Changes</b>		
Real-Time Market	from 63% to 65%	from 65% to 64%	
Real-Time Dispatch	from 50% to 42%	Charge Retired	
<b>Reliability Coordinator West</b>			
	<b>Change</b>		
Reliability Coordinator Funding Percentage	from 9% to 8%		
<b>Supplemental Fees</b>			
Other Revenue (offsets to the GMC Revenue Requirement)	<b>No Change</b>		
Miscellaneous Fees (collected as charges below the line)	<b>Changes</b>		
TOR Charge/MWh	from \$0.18 to \$0.32	from \$0.32 to \$0.33	

# EDAM 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	2025	2026	2027	2028	2029
Load	5%	25%	50%	75%	100%
Supply	100%	100%	100%	100%	100%

# GMC Revenue Requirement Cap

- Cap increase to accommodate
  - Accounting change of offsetting revenues and adjustments
  - Normal cost inflation in operating costs

Increase in measure demand volumes due to EDAM participation leads to lower cost per MWh

GMC Revenue Requirement (\$ in millions)	Actual			Forecast		
	2021	2022	2023	2024	2025	2026
Operations and Maintenance Budget	\$ 200.8	\$ 210.7	\$ 238.4	\$ 251.9	\$ 258.4	\$ 265.2
Debt Service and Cash Funded Capital	\$ 44.9	\$ 44.7	\$ 35.7	\$ 20.7	\$ 29.7	\$ 29.7
Other Revenues and Adjustments	\$ (63.7)	\$ (72.8)	\$ (74.4)	\$ (70.7)	\$ (46.5)	\$ (46.8)
<b>Total GMC Revenue Requirement</b>	<b>\$ 182.0</b>	<b>\$ 182.6</b>	<b>\$ 199.7</b>	<b>\$ 201.9</b>	<b>\$ 241.6</b>	<b>\$ 248.1</b>
Estimated Measured Demand in TWh	237.3	233.5	234.2	242.5	340.5	346.1
<b>Pro-Forma Bundled Cost per MWh</b>	<b>\$0.7670</b>	<b>\$0.7820</b>	<b>\$0.8527</b>	<b>\$0.8326</b>	<b>\$0.7095</b>	<b>\$0.7168</b>



# Tariff Amendments

## 8/15/2023 Stakeholder Meeting

- Cost of service study percentage and fee updates
- Bifurcation of the System Operations Charge
- EDAM transitional ramp-in of load volumes during the period from 2025 through 2028.
- GMC Revenue Requirement cap increase effective 1/1/2025

# Key Calendar Dates and Next Steps

Date*	Event
7/5/2023	Cost of Service Study (DRAFT) Posted
7/12/2023	1 <sup>st</sup> Stakeholder Meeting
7/19/2023	Stakeholder comments due
8/1/2023	Cost of Service Study (DRAFT FINAL) Posted
8/15/2023	2 <sup>nd</sup> Stakeholder Meeting
8/30/2023	Stakeholder comments due
9/19/2023	Present COSS update and changes to the Board of Governors and WEIM Governing Body (Decisional and Informational items)
10/5/2023	File Tariff Amendments
12/12/2023	Present 2024 GMC Revenue Requirement to the Board of Governors (Decisional item)

*\*Dates subject to change*

# Stakeholder Feedback and Discussion

- Comments are due by end of day **July 19, 2023**. Please submit your comments using the comment template available on the process webpage (link below).
- Questions? Please email [ISOStakeholderAffairs@caiso.com](mailto:ISOStakeholderAffairs@caiso.com)
- The discussion paper is available on the ISO website at <https://stakeholdercenter.caiso.com/RecurringStakeholderProcesses/cost-of-service-study-2023>

*Thank you*