



California ISO

# Decision on reliability coordinator services rate design, terms, and conditions

Phil Pettingill

Director, Regional Integration

Ryan Seghesio

VP, Chief Financial Officer and Treasurer

Board of Governors Meeting

General Session

July 26, 2018

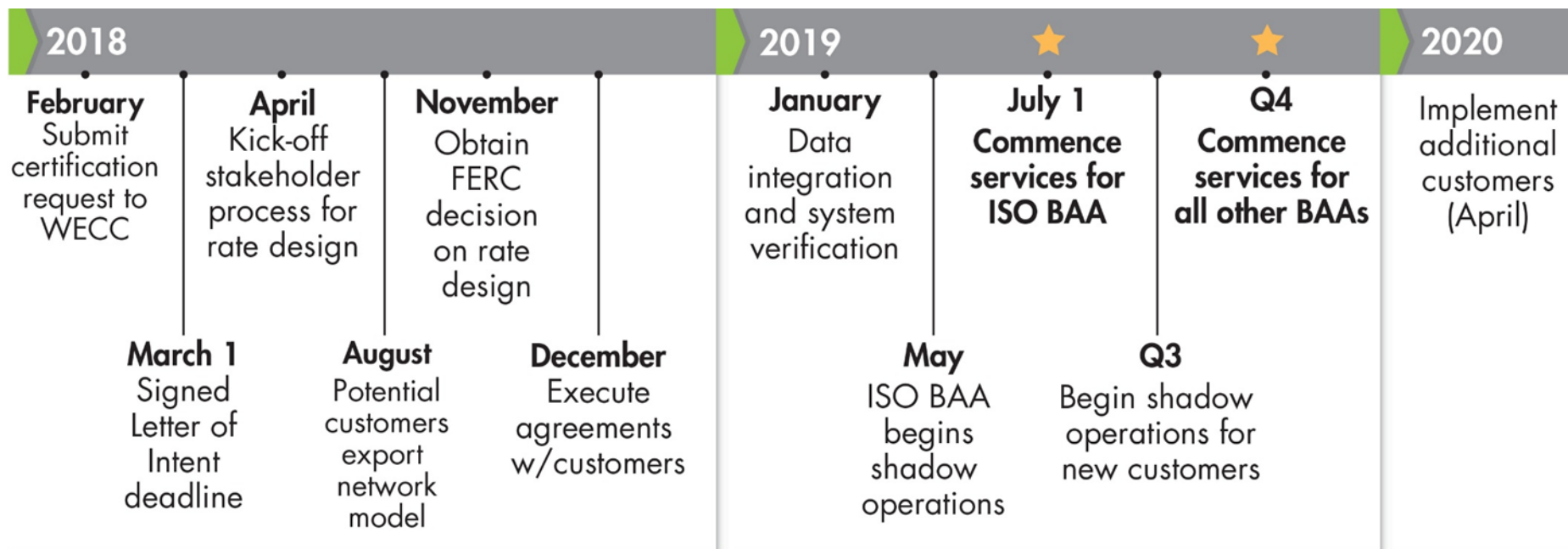
# The ISO is uniquely positioned to provide quality Reliability Coordination services

- ISO can leverage existing capabilities in the Western Interconnection:
  - operating a large Balancing Authority Area and an EIM market area that is expected to serve 65% of the load
  - maintaining a detailed network model for most of west
  - utilizing sophisticated analytical tools that can easily be extended across a large reliability coordination area
  - integrating data communications that already support a mature and robust data platform
- ISO can provide high quality RC service for roughly 40% of current costs

# ISO plans to become Reliability Coordinator in 2019 through three parallel tracks

- Track 1: Development of Reliability Coordinator rate design, terms, and conditions through the open ISO stakeholder process, including tariff and agreement
- Track 2: Development of key deliverables required for WECC certification, coordination by Reliability Coordinator Project Steering Committee, working groups and task force teams
- Track 3: Onboarding, implementation of tools and technology to integrate applications, readiness criteria, training, and customer service

# RC Implementation Timeline



Leveraging our existing rate design framework, a percentage allocation of the revenue requirement will be used to fund RC services.

- Percentage is based upon modified cost of service study assessing impacts of RC services and will be phased with planned implementation schedule.
  - 2% beginning July 1, 2019 (initial RC area)
  - 9% beginning November 1, 2019 (full RC area)
  - Percentages remain fixed until next triennial cost of service study (to be conducted in 2020 for 2021 rates)

# RC revenue streams will reduce GMC and EIM rates.

<b>Revenue Requirement Component</b> <i>(\$ in millions)</i>	<b>Modified Cost of Service Study</b>
Operations & Maintenance Budget	<b>\$192.6</b>
Debt Service (including 25% reserve)	<b>16.9</b>
Cash Funded Capital	<b>22.0</b>
Other Costs and Revenues	<b>(18.6)</b>
Operating Costs Reserve Adjustment	<b>(7.8)</b>
<b>Revenue Requirement sub-total prior to RC funding</b>	<b>\$205.1</b>
RC Core Service Income (9%)	<b>(18.5)</b>
<b>GMC Revenue Requirement</b>	<b>\$186.6</b>

## Other rate design elements:

- Annual billing in January based upon Net Energy for Load, Net Generation, or Minimum Charge
- Payments due 21 business days after invoice to avoid late fees and default procedures
- Billing for 2019 services will be included on January 2020 invoice
- Voluntary supplemental services to be billed separately
  - Hosted Advanced Network Applications, CIP-014

# RC Services Agreement (RCSA)

- Pro-Forma FERC approved agreement
  - For Balancing Areas and Transmission Operators
- Term of service
  - Initial period of 18 months
  - Annual renewal
  - 12 month notice for Entry and Exit - April each year
- RC Services
  - Core RC services
  - Selection of supplemental services



# Stakeholders are broadly supportive of the rate design.

- Many of the provisions in the proposal are a result of stakeholder feedback
- Some customers still seeking clarity and understanding
- A number of customers would like stronger cost containment measures
  - Management believes current cost containment measures are adequate

Management recommends Board approve the RC services rate design, terms, and conditions.

- Broadly supported by stakeholders
- Prepared to initiate RC services during 2019
- The current proposal is flexible enough to support the phased implementation and varied number of potential customers
- Upon FERC approval, the ISO will be able to initiate the execution of the RC Services Agreements