



**PUBLIC NOTICE:
JOINT AUDIT / FINANCE COMMITTEE MEETING**

The Joint Audit/Finance Committee of the California Independent System Operator will meet:

Date: September 6, 2000
Time: 11:00 a.m. – 11:30 a.m.
Location: Offices of the California ISO
Conference Room 101A – 1A & 1B

During the above-noticed meeting, a joint meeting of the Joint Audit / Finance Committees will discuss and possibly take action on the following agenda items:

GENERAL SESSION

- 1) Public Comment
- 2) Tariff for an Unbundled Grid Management Charge (GMC)
- 3) New Business Issues and Future Agenda Items

To review General Session agenda documents online go to: <http://www.caiso.com/pubinfo/BOG/documents/>

All public documents, notices, and information are posted to the Web site as they are provided to the Board of Governors. The California ISO Web site address is: <http://www.caiso.com>



CALIFORNIA ISO

REVISED FINAL
Released: September 8, 2000

PUBLIC NOTICE OF ISO BOARD OF GOVERNORS MEETING

The Board of Governors of the California Independent System Operator will meet:

Date: September 6 and 7, 2000
Time: See below
Location: Offices of the California ISO
Conference Room 101A – 1A & 1B

During the above-noticed meeting, the Board will discuss and possibly take action on the following agenda items:

GENERAL SESSION

September 6, 2000 4:00 p.m. - 7:00 p.m.

- 1) Comprehensive Market Redesign
 - Public Comment
 - Staff Presentation

GENERAL SESSION

September 7, 2000 12:00 p.m. - 4:00 p.m.

- 1) Public Comment
- 2) Approval of Minutes - August 1, 2000
- 3) Committee Assignments
- 4) Management Report
 - Executive Summary of Performance Data
 - FERC Update
 - Policy Calendar
 - State Legislative Update
 - Federal Legislative Update
- 5) Consent Agenda
- 6) Record Date for Board Vacancy
- 7) Comprehensive Market Redesign
- 8) Committee Reports
 - a) Audit
 - SC Annual Self-Audit
 - b) Finance
 - Increasing Neutrality Adjustment Price Cap
 - c) Joint Audit and Finance
 - Unbundling of GMC
 - d) Governance
 - Amending Articles of Incorporation

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**PUBLIC NOTICE OF ISO BOARD OF GOVERNORS MEETING
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GENERAL SESSION - continued

- e) Grid Reliability / Operations
 - Amendments to Transmission Control Agreement - Appendix C (MCC)
 - ISO Maintenance Procedures (MCC)
 - Management Recommendations for RMR Designations from LARS 2001-2003 Process
 - Recommendations from RMR Pre-Dispatch Enhancement Stakeholder Process
- f) Market Issues/ADR
 - Extension of Price Cap Authority
- 9) New Business Issues and Future Agenda Items

EXECUTIVE SESSION

4:00 p.m. - 5:00 p.m.

- 1) Approval of Executive Session Minutes - August 1, 2000
- 2) Process for Responding to Data Requests
- 3) Contracting in the Forward Markets
- 4) Committee Reports
 - a) Finance Committee
 - Possible Approval of Contract for Electronic Tagging - Part II
- 5) New Executive Session Business Issues and Future Executive Session Agenda Items

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Memo

To: Audit and Finance Committees
Cc: ISO Board of Governors, ISO Officers
From: Mike Epstein, Controller and Phil Leiber, Treasurer and Director of Financial Planning on behalf of the GMC Unbundling Internal Staff Team
Date: August 29, 2000
Re: **Tariff for an Unbundled Grid Management Charge (GMC)**

This memorandum requires Board Action

Executive Summary

At its June 2000 meeting, the Board approved unbundling the GMC into the following cost components and billing determinants: (1) Control Area Services based on Control Area Gross Load and exports, (2) Congestion Management based on net scheduled inter-zonal flow (excluding ETCs) per path and (3) Market Operations based on purchases and sales of Ancillary Services, Supplemental Energy and Imbalance Energy (both instructed and uninstructed). The proposed Tariff was reviewed by a stakeholder group, the GMC Unbundling Steering Committee ("Committee") and presented to MIF. After additional input from stakeholders, management proposes the following:

MOVED, that the Audit and Finance Committees recommend that the Board approve the unbundled GMC tariff in substantially the form shown in Exhibit A.

Overview of Proposed Tariff

Significant Revisions to the GMC tariff were as follows:

- Section 2.2.7.3 was revised to reflect the current calculation of estimated aggregate liabilities.
- Section 8.2 describes the costs to be recovered through the GMC.
 - (1) Operating Costs;
 - (2) Financing Costs; and
 - (3) Operating and Capital Reserves Costs.
- Section 8.3 now describes the three charges of the GMC and the basis for their billing.
 - (1) Control Area Services based on Control Area Gross Load and exports;
 - (2) Congestion Management based on net scheduled inter-zonal flow (excluding ETCs) per path; and
 - (3) Market Operations based on purchases and sales of Ancillary Services, Supplemental Energy and Imbalance Energy (both instructed and uninstructed).
- Section 8.4 describes how the annual rate is set and provides that quarterly adjustments may be made if projected billing determinant volumes change by more than 5%.
- Definitions of the three charges and Control Area Gross Load have been added as well as revising the definition of GMC.

- Schedule 1, Part A was revised to reflect the three charges of the GMC and the basis for their billing.
- Schedule 1, Part B describes the adjustments made to the annual rate and that quarterly adjustments may be made if projected billing determinant volumes change by more than 5%.
- Schedule 1, Part C describes the costs recovered through the GMC and that a separate revenue requirement will be prepared for each of the three components using appropriate allocation methodologies.
- Schedule 1, Part D describes the Budget process used to determine the revenue requirements for the GMC.
- SABP 3.1 was revised to provide for:
 - (1) The use of the best available information where meter data is not provided.
 - (2) The possibility of billing other appropriate parties for the GMC, and
 - (3) That all data provided will be subject to audit and verification by the ISO.
- SABP 3.2.1 and SABP 5 were revised to describe the details of the GMC components that will be provided on the invoices.
- SABP Appendix A was revised to describe the three components of the GMC.

The GMC tariff was last discussed at a Committee meeting on August 22, 2000 and was presented to Market Participants on August 7, 2000. Following the Board discussion and approval of the GMC tariff, the ISO expects to file its GMC Unbundling proposal at FERC no later than October 31, 2000.

Comments from Market Participants

Comments from Market Participants are shown in **Exhibit B**. Modifications and revisions were made to reflect Market Participant suggestions.

Background of GMC

The ISO collects its revenue requirement through a GMC that was initially filed as a formula rate applicable to all loads located in the ISO's Control Area. Holders of Existing Contracts and others objected to the application of the GMC and sought to be excluded from bearing such charge. A settlement was entered into to resolve these objections ("Settlement"). The Settlement provided that a portion of Existing Contract volumes and certain other volumes would not be assessed the GMC and that the ISO would study the unbundling of the GMC and file a new GMC. The ISO has filed two separate extensions to the GMC and each extension was accompanied by a commitment by the ISO to continue to study the unbundling of the GMC and to file a new unbundled GMC by October 31, 2000. The FERC has acknowledged that the Settlement required the ISO to file a new GMC and thus has made the collection of the GMC subject to refund (since June 7, 1999) and subject to the outcome of the GMC proceeding to be effective on January 1, 2001.

Based on the statements made in the previous FERC decisions, it is almost certain that FERC will set that filing for hearing, whether the filing proposes to unbundle or not. Therefore, issues regarding the GMC will either be resolved as a result of a formal administrative proceeding before FERC or a settlement process among the parties to that proceeding. In 1999, both PJM and ISO New England submitted to FERC rates that unbundled the cost components of their administrative charges.

The Committee has been working since early 1998 with the ISO staff to identify, review and reach consensus on approaches to unbundling the GMC. The proposal to unbundle the GMC was approved by the Board at its June meeting, and represents the collective efforts of ISO Management and Market Participants over the past two years. The June Board memo is attached as **Exhibit C**.

Summary

The GMC Tariff provides for an unbundled GMC billed as follows: (1) Control Area Operations using Control Area Gross Load and exports, (2) Congestion Management using Inter-Zonal Schedules and (3) Market Operations using purchases and sales of Ancillary Services and Supplemental and Imbalance Energy (instructed and uninstructed). The ISO must make a FERC filing no later October 31, 2000.



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GMC Tariff

September 7, 2000

Joint Audit/Finance Committee



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Overview of GMC

- Grid Management Charge (GMC) - revenue requirement of ISO
- Currently one charge to Load based on settlement
 - *Existing Contract (ETC) loads get 50% or 100% exclusions*
- New unbundled GMC to apply January 1, 2001
- Components and billing determinants approved at June Board meeting
- 3 components of Unbundled GMC
 - **Control Area Services** (approximately 45% of total ISO costs)
 - Billed on control area gross load & exports (with no exclusions)*
 - **Congestion Management** (approximately 7% of total ISO costs)
 - Billed on net scheduled inter-zonal flows (excluding ETCs)*
 - **Market Operations** (approximately 48% of total ISO costs)
 - Billed on purchases & sales of Ancillary Services, Supplemental & Imbalance Energy (both instructed & uninstructed)*
- GMC Tariff: revised to reflect changes and June Board vote



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Overview of Tariff Changes

- 2.2.7.3 current calculation of SC estimated aggregate liability
- 8.2 describes costs to be recovered including GMC
Operating costs, Financing costs & Operating & Capital reserves costs
- 8.3 describes 3 charges and basis for billing
Control Area Services billed on Control Area Gross Load and exports
(with no exclusions)
Congestion Management billed on net scheduled inter-zonal flow
(excluding ETCs)
Market Operations billed on purchases and sales of A/S, Supplemental
& Imbalance Energy (both instructed and uninstructed)
- 8.4 describes how annual rate is set and provides for quarterly
adjustments if projected billing volumes varies by 5%



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Overview of Tariff Changes (continued)

- Definitions for charges added
- Definition for **Control Area Gross Load** in exhibit B revised as follows:

For the purpose of calculating and billing the Grid Management Charge, Control Area Gross Load is all Demand for Energy within the ISO Control Area. Control Area Gross Load shall not include [delete auxiliary Load (i.e., Energy used in the power production process) or Load that is isolated electrically from the ISO Controlled Grid (i.e., Load that cannot be served from the ISO Controlled Grid)] Energy consumed by:

(a) generator auxiliary Load equipment that is dedicated to the production of Energy and is electrically connected at the same point as the Generating Unit (e.g., auxiliary Load equipment that is served via a distribution line that is separate from the switchyard to which the Generating Unit is connected will not be considered to be electrically connected at the same point, and

(b) Load that is isolated electrically from the ISO Control Area (i.e., Load that is not synchronized with the ISO Control Area).



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Overview of Tariff Changes (continued)

- Schedule 1, Part A describes charges and basis for billing
- Schedule 1, Part B describes annual rate and quarterly adjustments
- Schedule 1, Part C describes costs to be recovered through GMC; separate revenue requirements prepared for each charge based on appropriate allocation methodologies
- Schedule 1, Part D describes the budget process to determine the revenue requirements for each charge.



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Overview of Tariff Changes (continued)

- SABP 3.1 provides for
 - use of best available data (including estimation) when meter data is not available
 - ability to bill other appropriate parties for the GMC
 - auditing of data provided
- SABP 3.2.1 & 5 describes details of charges to be shown on invoices
- SABP Appendix A describes charges and basis for billing.



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Budget Process and Filings

- Sep 6 Board - GMC Tariff Approved
 - Sep 21* Budget and unbundling data presented to Finance Committee and posted on web
 - Sept 30 FERC filing of unbundled GMC methodology (tariff amendment)
 - Oct 10 Stakeholder budget workshop
 - Nov 30 Board approval of Budget
 - Dec 15 FERC GMC rate information filing
- * week of or to be determined

Audit/Finance Committee

Tariff for an Unbundled Grid Management Charge

MOVED, that the Board approve the unbundled GMC tariff in substantially the form shown in Exhibit A.

Finance Committee Action: None* Vote Count:				Board Action: Passed Vote Count: 15-1-6					
Moved: Second:				Moved: Barkovich Second: Patel					
	C	B		C	B		C	B	
Barkovich	Y	Fielder	Y	Kehrein	Y	Pope	A	Winter	Y
Blue	A	Florio	Y	Kirshner	Y	Roscoe	A	Wiseman	X
Carnahan	Y	Hapner	A	McNally	A	Smutny-Jones	A	Woods	Y
Cotton	Y	Ingwers	Y	Patel	Y	Swanson	Y	Woychik	Y
Edwards	Y	Johanson	Y	Ponder	N	White	X		

* Quorum not achieved

Audit Committee Action: Passed Vote:5-0-0				Board Action: Vote Count:				
Moved: Second:				Moved: Second:				
	C	B		C	B		C	B
Barkovich	Y	Fielder		Kehrein	Y	Pope		Winter
Blue		Florio		Kirshner		Roscoe		Wiseman
Carnahan	Y	Hapner		McNally		Smutny-Jones		Woods
Cotton		Ingwers	Y	Patel	Y	Swanson		Woychik
Edwards		Johanson		Ponder		White	X	