



# Briefing on 2016 Cost of Service Study and 2018 GMC Update

## Meeting Logistics

### Stakeholder Call

Date: Wednesday, May 24, 2017

Time: 1:00 - 2:00 p.m.

## The following topics were discussed:

- 2016 Cost of Service Study Overview
- 2018 GMC Update
  - Impacts to the EIM Fee
  - Impacts to the TOR Fee
- Key Calendar Dates and Next Steps
- Stakeholder Feedback and Discussion

## Briefing on 2016 Cost of Service Study and 2018 GMC Update

### Phone Attendees

Name	Organization
Ryan Johnson	ACES
Don Brookhyser	Alcantar & Kahl
Jessica Kelsey	Arizona Public Service Co.
Judy Tsai	Arizona Public Service Co.
Moe Sakkijha	Arizona Public Service Co.
Heidi Carder	California ISO
Geoff Gong	CDWR
Stephen Greenleaf	Customized Energy Solutions
Matthew Bly	Duncan, Weinberg, Genzer & Pembroke, P.C.
Franklin Jackson	Federal Energy Regulatory Commission
Patty Cook	ICF
Kathy Anderson	Idaho Power
Nicole Blackwell	Idaho Power
Daniel Scorza	LADWP
Jaime Pinedo	LADWP
Vanessa Gonzalez	LADWP
David Cohen	Navigant Consulting
Mike Whitney	NCPA
Gary Davis	NV Energy
Lisa Heinzman	NV Energy
Suzy Niederkorn	NV Energy
Vanessa Kruz	NV Energy
Chris Kirsten	PacifiCorp
Doug Young	PacifiCorp
Mitch Kunstel	PacifiCorp
John Newton	PG&E
Kyle Hoffman	Powerex
Larisa Ljubarskaya	PSE
Lisa MacKay	PSE
Kallie Wells	Resero
Joe Alves	Riverside Public Utilities
Cindi Leinenkugel	RVSD
Sarah Davis	Seattle City Light
Richard Buckingham	SMUD
Saundra Morris	SMUD
Bert Hansen	Southern California Edison
S. Kris Van Vactor	Southern California Edison
Meg McNaul	Thompson Coburn LLP

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Questions and comments should be directed to: [initiativecomments@caiso.com](mailto:initiativecomments@caiso.com).

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### Present Attendees

Name	Organization
April Gordon	CAISO
Denise Walsh	CAISO
Don Tretheway	CAISO
Jake Thai	CAISO
James Lynn	CAISO
Jordan Pinjuv	CAISO
Kim Perez (Facilitator)	CAISO
Peter Colussy	CAISO
Ryan Seghesio	CAISO
Tricia Johnstone	CAISO
Virginia Thompson	CAISO

### Stakeholder Meeting Comments/Questions

**Stakeholder (SH):** David Cohen with Navigant Consulting

ISO Respondent: Ryan Seghesio / April Gordon

SH Comment: I sent a list of items to April yesterday, and I know that you may not have had an opportunity to review all of them, but one of my comments is that in your paper on Cost-of-Service, it would help greatly if there was a little bit better tracking between the various tables, identifying where the numbers came from, prior tables. Also, I was wondering is the ISO willing to make the Cost-of-Service model for 2016 available to the stakeholders to review during this process?

ISO Response: Yes, we did receive your list. We will respond to some of your tracking questions in the follow-up meeting minutes and comments. A good portion of the backup data, probably 80% of it, is in the paper. There are some additional schedules that we chose not to include just because we thought it confused the process more. But we can post those as part of the follow-up questions as well.

We previewed your questions around FTEs. The hours reported in the cost of service study (COSS) are not driven by the number of FTEs. It's driven by hours. If I have eight employees spending an hour a day doing a task, it's no different than one employee spending eight hours a day doing the same task. So it's really the hours that drive the COSS and not FTEs.

We will publish a PDF of the Cost-of-Service study, in its full capacity, so you can see where the data is coming from. There is a risk in posting the study in it's excel format as the work can be manipulated or misstated.

*[Supplemental cost of service study work papers were posted to ISO website on May 26, 2017.]*

**Stakeholder:** David Cohen with Navigant Consulting

ISO Respondent: Ryan Seghesio

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SH Comment: Clarify the “Pro Forma 2016 GMC Rates Compared to Current Rates” slide calculations.

ISO Response: The intent behind the slide is to show the delta between the current 2017 rates and the pro forma 2016 rates as the 2018 rates are yet to be determined. Presuming that we continue to have stable revenue requirements, you can anticipate that the rates in 2018 will be similar to the pro forma 2016 rates that we are showing here. The “Increase / Decrease in Rates” column is incorrect. We will send out a revised version of the slide when we post the follow-up meeting minutes and comments. I apologize for this being off.

*[Revised presentation was posted to ISO website on May 26, 2017.]*

**Stakeholder: Vanessa Kruz with NV Energy**

ISO Respondent: Ryan Seghesio

SH Comment: Clarify the “Calculation of the EIM Components” slide.

ISO Response: Using the 2016 COSS new percentages EIM participants will be paying 79% of the Market Services Grid Management Charge (GMC) and 39% of the System Operations GMC.

**Stakeholder: Kallie Wells with Resero**

ISO Respondent: Ryan Seghesio

SH Comment: How are you estimating the EIM market volume to get down to the rate, or is that not included in the process? Does it get down to the megawatt rate? Also, further explain the over / under collection comment.

ISO Response: We're not estimating volume for calculating the rate. It simply is paying the percentage share that you see here of the full rate, of the full GMC rate. We do estimate volume to calculate our budget, the revenue requirement. Those are difficult volumes to measure so we are typically under shooting that. For EIM projections we essentially take 10% of NEL to estimate for our budget. We walk through that during the revenue requirement process. But for the rate, there is no estimate of volume, they're simply paying for usage of the system at these percentages of the full rate.

The over / under collection comment pertains to the operating cost reserve adjustment component of the revenue requirement. In any year that the ISO operating reserve account exceeds 15 % of the prospective year's operations and maintenance budget, the excess goes toward the revenue requirement for the coming year. In addition, the adjustment includes the 25% debt service collected in the previous year and the difference between budgeted revenues and expenses in prior years.

**Stakeholder: Moe Sakkijha with Arizona Public Service Co.**

ISO Respondent: Ryan Seghesio

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SH Comment: As more and more EIM entities join one would expect the EIM administrative charges will drop altogether. So can you comment on why aren't they dropping?

ISO Response: EIM entities are only paying a percentage of the full GMC rates, and their use of the systems (market services and system operations). Unlike our GMC rates, which are designed to recoup our costs, EIM rates are charges for use of the real time market. However, if EIM entities and volumes continue to go up, revenues increase for the ISO, which then offset the overall revenue requirement. That will lead to lower GMC rates, and ultimately, lower EIM rates.

**Stakeholder:** David Cohen with Navigant Consulting

ISO Respondent: Ryan Seghesio

SH Comment: Will the 2018 revenue requirement be posted on October 12<sup>th</sup> or 13<sup>th</sup>? We appreciate having about three weeks to look at the preliminary 2018 revenue requirements.

ISO Response: Probably on the 13<sup>th</sup>. It wouldn't be on the 12<sup>th</sup> [the day it is presented to the Board]. Typically it's posted about a day, or a few days after the Board sees it. It will be posted to allow at least three weeks for stakeholder review prior to the November 13<sup>th</sup> stakeholder meeting.

**Stakeholder:** David Cohen with Navigant Consulting

ISO Respondent: Ryan Seghesio

SH Comment: In reference to the cost of service study's table 8 – 2016 Revenue Requirement Components, is it possible to break out the EIM and TOR revenues?

ISO Response: The purpose of the table is to simply show the components that make up the revenue requirement. The EIM administrative fee and TOR fee are broken out in the construction of the revenue requirement. The EIM administrative fee is included in the revenue requirement's other costs and revenues component. Whereas the TOR fees are deducted from the revenue requirement to determine the annual GMC rates.