

Stakeholder comments and questions from the 2020 Budget and Grid Management Charge Process stakeholder conference call meeting held on November 20, 2019.

Supporting meeting documents 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 Modesto Irrigation District (“MID”) and City of Santa Clara, California, dba Silicon Valley Power (“SVP”) thank the California Independent System Operator Corporation (“CAISO”) for the opportunity to submit comments and questions both at and following the November 20, 2019 stakeholder meeting regarding the CAISO’s 2020 Budget and Grid Management Charge (“GMC”).

Following up on matters discussed during the November 20 Stakeholder Meeting regarding CAISO’s 2020 Budget and GMC process, including the associated Preliminary Draft Budget document, MID and SVP request the CAISO provide responses to the following questions:

Regarding the Preliminary Draft Budget (issued Nov. 1, 2019):

1) On pages 41-43 of the Preliminary Draft Budget, CAISO states the 2020 Capital/Project Budget Development prioritization process runs July through November 2019, but indicates that the 2020 priorities may change. Are the

proposed projects for 2020 shown on pages 43-46 listed by any priority or indication of what will be cut from the \$43.1 million cumulative amount to stay within the \$22 million Capital/Project budget approved by the CAISO Board? Where is the best indication of the current project prioritization documented for stakeholders' reference?

The proposed projects are listed by type of projects and size based on preliminary estimated amounts only. The final draft of the budget book will include the initial master list of proposed projects going into 2020. The approved 2020 projects may vary from the initial master list depending on factors such as, but not limited to, additional projects being added, deferral of projects on the list to future years, or the elimination of projects deemed to be unnecessary. All projects are assessed by the Corporate Management Committee (CMC) for consideration and approval prior to their commencement.

2) In general, is the hiring of third party consultants (for example, E3 in the ESDER-4 initiative) included within the Capital/Project budgeted amount for the initiative (i.e. as part of CAISO's estimated amounts corresponding to projects listed on pages 43-46 of the Preliminary Draft Budget), or in the O&M budget as part of either the "Consultants and Contract Staff" or "Outsourced contracts and professional fees" categories on pages 17-18? Page 13 states the O&M budget excludes staff dedicated full-time to capital projects, included in a separate capital budget. To which capital projects are these staff dedicated?

The budget in support of consultants will be held either in a capital project budget or O&M budget. For example, if consultants are required for a capital project then the budget in support of the consultant will be included in that capital project's budget. Conversely, if a consultant is required for a short-term, non-capital project funded by O&M then the budget in support of that consultant will be included in the O&M budget.

In regards to the last question, most projects include staff time.

3) On page 44, in the Chart of Proposed Projects for 2020, please provide an explanation as to what is included within "Reliability coordinator enhancements 2020."

The ISO anticipates that RC customers and RC West operational users will request enhancements to the systems used to provide RC services that would require capital investment. These enhancements will become known as customers and users determine areas for efficiency or as new functions are proposed.

4) On page 44, in the Chart of Proposed Projects for 2020, please provide an explanation as to what is included within "Reliability coordinator advanced network applications enhancements for voltage stability analysis."

This project would address high priority enhancements identified by Operations Engineering for the Voltage Stability Analysis (VSA) tool.

5) On page 44, in the Chart of Proposed Projects for 2020, please provide an explanation as to what is included within “Pump storage with multiple pumping levels.”

CDWR has 30 pumping plants and each plant has number of units. The total capacity is 2,943 MW. They requested that the ISO market dispatch discretely at different level for the aggregated pumping resource. The discrete level represents the different number and size of units behind the aggregated pumping resource. CDWR can submit bid at discrete level for the aggregated resource. The ISO will first do a proof of concept before integrating these resources into the market.

6) On page 44, in the Chart of Proposed Projects for 2020, with reference to “Storage as a transmission asset”, does this item’s inclusion indicate the CAISO’s intent to resume this matter as an initiative in 2020?

Yes, this item remains in the strategic initiative roadmap and project release plan for future implementation. Through this initiative, the ISO will explore how to enable storage providing cost-based transmission services to also participate in ISO markets and receive market revenues to provide ratepayer benefits and greater flexibility to the grid.

7) For the Debt Service category, CAISO’s Preliminary Draft Budget (at pages 5 and 39) states Series 2013 bonds were issued in November 2013 to refinance 2009 bonds that were issued to finance Folsom headquarters and “other capital expenditures.” What other capital expenditures does this include?

The other capital expenditures included customized software project costs.

Regarding the CAISO’s November 20 Presentation:

1) During the November 20, 2019 stakeholder call, CAISO clarified that the “TAC billing” project listing on page 44 of the Preliminary Draft Budget is the same effort as the TAC structure enhancements initiative, currently on hold, and further that this initiative was deferred while CAISO defines the scope of the extended day-ahead market (“EDAM”) initiative (which may include transmission charges within the initiative scope). Please provide the CAISO’s reasoning for including the “TAC billing” project in the 2020 budget if it is being deferred for EDAM.

The TAC billing determinant initiative is not dependent upon the EDAM initiative implementation date. We have deferred bringing the TAC billing determinant initiative to the BOG for approval until after we are confident that additional

changes are not necessary to support the EDAM transmission design. Once that determination is made, despite whether the EDAM stakeholder process has or has not been completed, we will move forward with BOG approval and implementation.

2) With regard to the “Operating Cost Reserve Adjustment” breakdown in the Presentation (Slide 10), please explain the cause of the favorable 2018 collections. On the same Slide, please explain the cause of the favorable 2018 spend results.

The 2020 operating cost reserve adjustment credit is the result of higher than expected collections of income coupled with lower than expected O&M expense spend in 2018. The grid management charges collections were \$2.1 million higher than budgeted; whereas, other income collections for items such as interest income, forecasting fees, and EIM administrative charges were \$1.6 million higher than budgeted. In addition, operating expenses were lower than expected by \$5.4 million primarily due to the deferral of \$3.1 million of costs related to changes in the CAISO’s post-retirement medical plan. For a complete calculation of the adjustment, please refer to Attachment B of the budget book (Calculation of Operating Cost Reserve Adjustment).