



ISO 2015 GMC Update Held May 20, 2014 Stakeholder Comments and ISO Response

CDWR 1

 Please comment on the 2015 2015 GMC Update final proposal for the percentages for the three GMC service categories and the rates for the Energy Imbalance market administrative charge and Transmission ownership rights charge..... 1

 Please comment on the 2015 revenue requirement maximum and period to which is applies. 1

 Other2

Company	Date	Submitted By
CDWR	May 27, 2014	Deane Burk Deane.burk@water.ca.gov
Please comment on the 2015 2015 GMC Update final proposal for the percentages for the three GMC service categories and the rates for the Energy Imbalance market administrative charge and Transmission ownership rights charge.		
<p>CAISO's May 12, 2014 2015 GMC update showed 71% for the Systems Operations Maximum, but the May 20, 2014 call indicates 70%. Is this the final percentage value or just a result of rounding numbers?</p>		
ISO Response		
<p>There was an error in the May 12, 2015 GMC update. The correct percentages for system operations charge is 70% and for CRR services is 3% as shown in the April 17 briefing and discussion papers and May 20 briefing paper.</p>		
Please comment on the 2015 revenue requirement maximum and period to which it applies.		
<p>CDWR does not see support for an increase to the annual revenue requirement, besides CAISO's substantiation that the increase is below the CPI. CAISO has a decreasing cost of capital figure which appears to be offset by an equivalent increase to their O&M budget without evidence of software or program development on par with the major software and program costs experienced due to the start of MRTU. EIM is sharing an existing system and purportedly "paying its own way". Renewables integration and ramping has been addressed with Flexible Ramping Constraint and the restart of the Flexible Ramping Product stakeholder initiative. CDWR is not opposed to a long term cap or to a reduction in CAISO's Bundled rate.</p>		
ISO Response		
<p>The CAISO provided projected revenue requirements which showed that an increase to \$202 million was appropriate. Over the next five years O&M costs increase from \$168 million to \$183 million. O&M costs increases are driven by increases in employee compensation. Projected long term merit increases on a fixed employee base constitute the primary increase in compensation costs which was discussed at the April 17th meeting.</p> <p>Software development drives the capital project budget which is funded from cash</p>		

funded capital. The discussion of flexible ramping and renewables integration affects market costs not CAISO O&M costs. EIM revenue is included in the other category as a component of miscellaneous revenue. Miscellaneous revenue is combined with cash funded capital, debt service and the operating reserve credit from the prior year into the category labeled other in the table. Over the next five years this combined category drops from \$32 million to \$19 million mitigating the growth in O&M and maintaining a revenue requirement around \$202 million.

Our current 2014 budget is \$198 million and the revenue requirement maximum is \$199 million. The majority of the small increase in the revenue requirement maximum that the ISO is proposing is needed to retain and attract a skilled workforce.

Other

The Activity Based Costing (ABC) that is used by CAISO is somewhat generalized, is there a more detailed or transparent source of information on CAISO stakeholder initiatives beyond levels and activities?

ISO Response

The ISO provided a detailed list of activities at both a high view (level 1) and detailed view (level 2) with a mapping of the process and a detailed description of each activity. The document was provided as an exhibit to the April 2, 2014 discussion papers. http://www.caiso.com/Documents/Exhibit1-BusinessProcessFrameworkV4_0-ChargeCodesJan29_2014.pdf These are the detailed activities to which CAISO employees charge their time. The related employee costs are ultimately aggregated with the other revenue requirement costs resulting in the three service category percentages.

Detailed information about stakeholder initiatives is published on the CAISO website and the initiatives are discussed in connection with the annual budget process kickoff meeting held in June of each year. Initiatives lead to the proposed projects for each year that comprise the capital budget. The following information was provided in the 2014 annual budget kickoff meeting held on June 18, 2013:

- Agenda and presentation from Market Performance and Planning Forum held April 10, 2013

- Master stakeholder project engagement plan
- Project release schedule as of March 31, 2013
- Details of active capital projects as of April 30, 2013
- Details of completed capital projects for the year ended April 30, 2013
- Listing of proposed capital projects for 2014

These documents are located at

<http://www.caiso.com/Pages/documentsbygroup.aspx?GroupID=804ae9c1-3b3b-47dc-b5b9-da4e93ef51c2>