



# Briefing on grid management charge cost of service study results

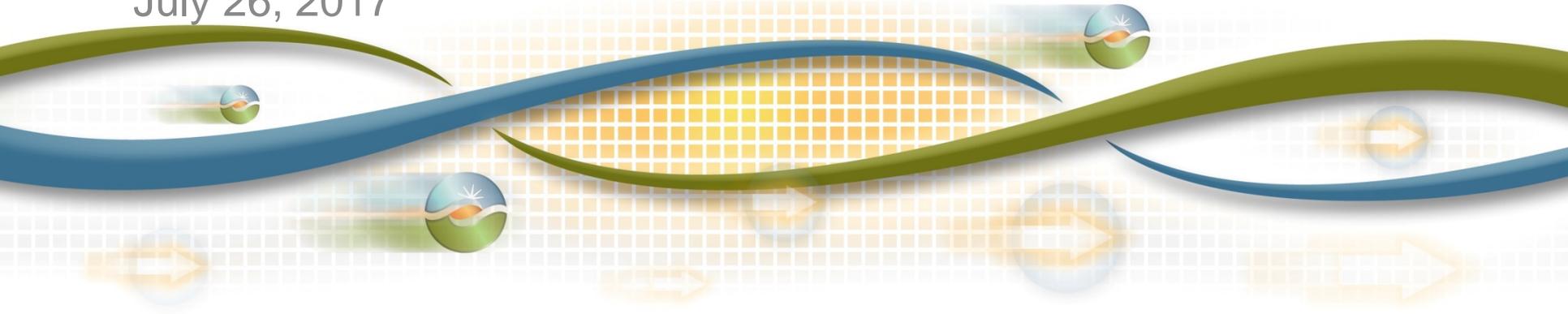
April Gordon

Director, Financial Planning and Procurement

Board of Governors

General Session

July 26, 2017



# 2016 Cost of Service Study Overview

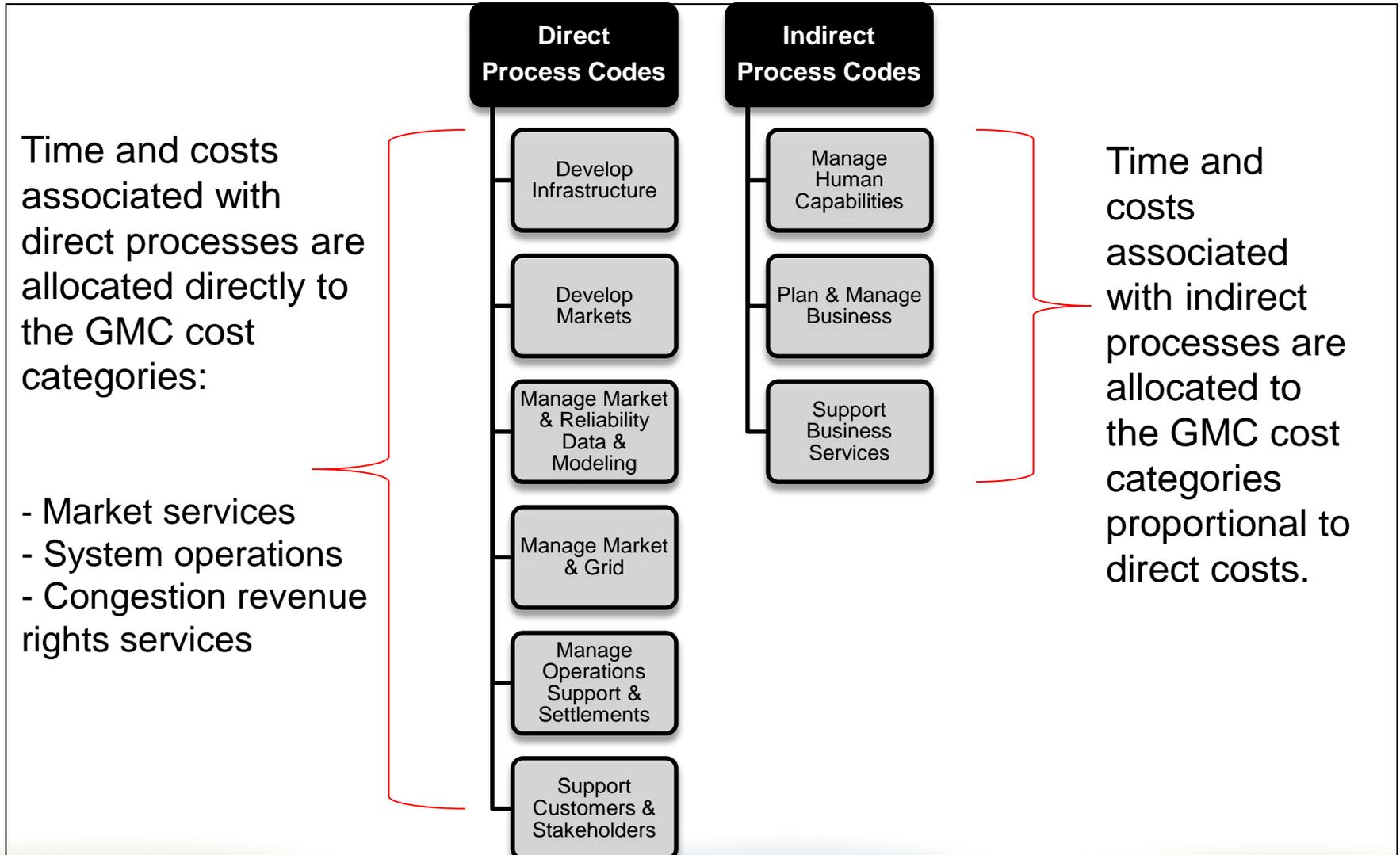
- Tariff requirement as part of current rate structure
- Tri-annual study in which activity based costing (ABC) and the revenue requirement components are used to set forth the GMC percentages used to calculate the annual grid management charge rates

## Evolution of the GMC Rates

Triannual Cost of Service Study's New GMC Percentages	X	Annual Revenue Requirement	/	Estimated GMC Volumes	=	GMC Rates
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- The study also updates the EIM percentages and transmission ownership rights fee.

# There are 9 process codes and 140 tasks used as part of the ISO activity based costing system



# Gained efficiencies and reallocation of resources to meet needs leads to change in percentages

GMC	Old Percentages	2016	New Percentages	2016	Increase / (Decrease) in Percentages	Increase / (Decrease) in Rates
		Rates Using Old Percentages		Rates Using New Percentages		
Market Services	27%	\$ 0.0850	32%	\$ 0.1038	5%	\$ 0.0188
System Operations	70%	\$ 0.2979	66%	\$ 0.2781	-4%	\$ (0.0198)
CRR Services	3%	\$ 0.0049	2%	\$ 0.0034	-1%	\$ (0.0015)

Note: Rates are per MWh

## Market Services Change

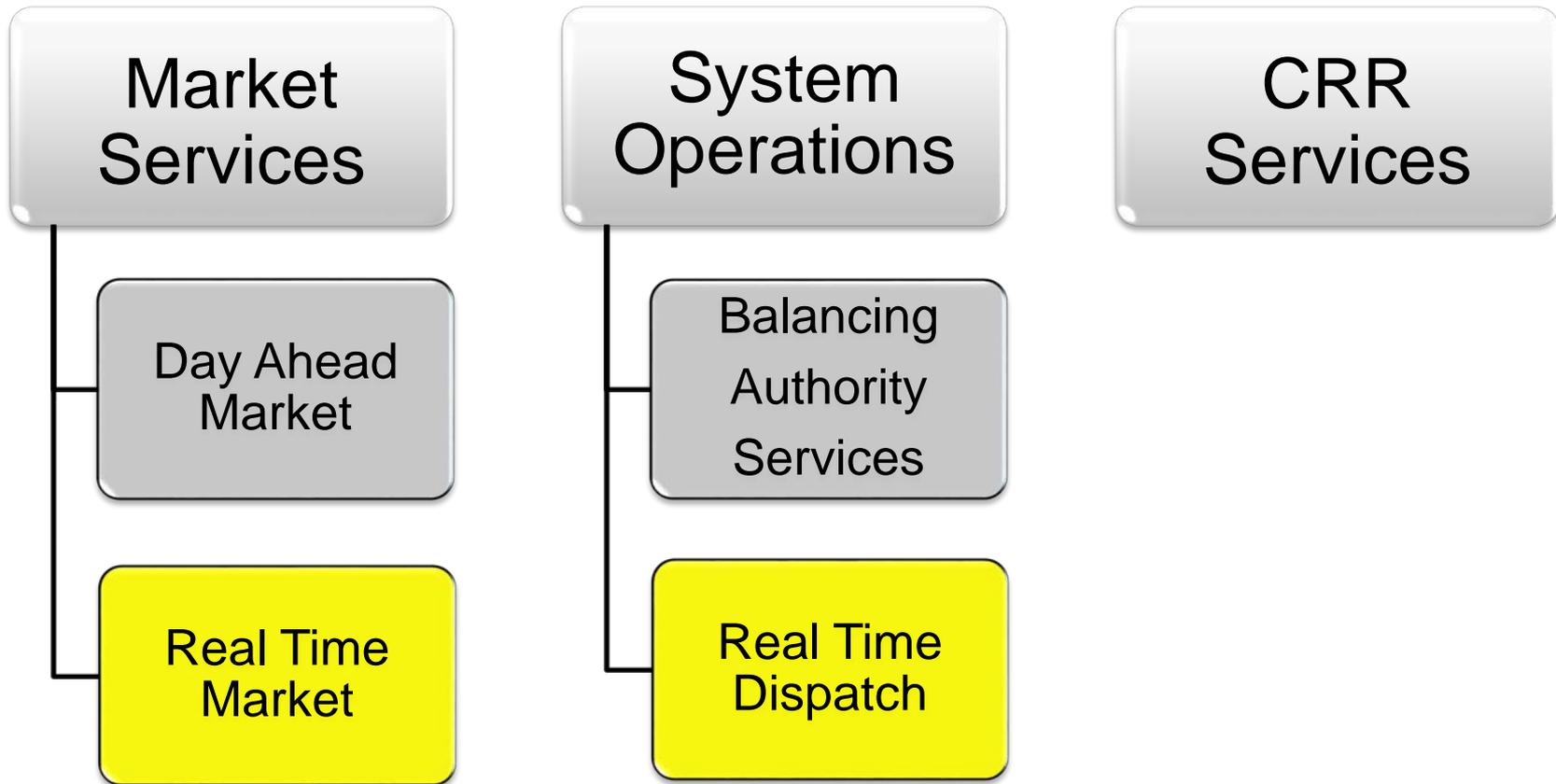
- Primarily driven by the addition of 15-minute market and reallocation of resources to create real time market desk (24x7)

## System Operations Change

- Primarily due to process efficiencies implemented since the last cost of service study

EIM fee uses real time portions of the GMC

## Grid Management Charges



# Projected impact to the EIM rate is minimal

GMC	EIM Real Time Activity	Old Percentages	2016 Rates		2016 Rates		Increase / (Decrease) in Percentages	Increase / (Decrease) in Rates
			Using Old Percentages	New Percentages	Using New Percentages			
Market Services	Real Time Market	61%	\$ 0.0519	79%	\$ 0.0823	19%	\$ 0.0304	
System Operations	Real Time Dispatch	45%	\$ 0.1341	39%	\$ 0.1078	-6%	\$ (0.0263)	
		Old Total	\$ 0.1860	New Total	\$ 0.1901			

Note: Rates are per MWh

## Market Services Change

- Primarily driven by the addition of 15-minute market and reallocation of resources to create 24X7 real time market desk

## System Operations Change

- Primarily due to process efficiencies implemented since the last cost of service study

# The transmission ownership rights fee remains \$0.24/per MWh.

- Transmission ownership rights represent transmission capacity on facilities that are located within the ISO balancing authority area that are wholly or partially owned by an entity that is not a participating transmission owner.
- Fee offsets the system operations GMC rate.
  - Annual revenue ~\$650k
- TOR fee remains \$0.24/per MWh

# Next Steps\*

Date	Event
May 24	Stakeholder Meeting  **No findings or objections addressed**
July 13	Present 2018 GMC update to EIM Governing Body
July 26	Present 2018 GMC update to Board of Governors
August	Amend Tariff
September	File amended Tariff with FERC
December	2018 Revenue Requirement presented to Board of Governors for approval
January 1	New percentages go into effect
*Dates are subject to change	