



Decision on 2023 Budget and Grid Management Charges

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ISO Board of Governors meeting

General Session

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Highlights: Considerable upward cost pressures in the labor market and additional positions drive the 2023 revenue requirement to increase by \$17.1 million

- At \$199.7 million, the 2023 revenue requirement is \$17.1 million higher than 2022
- The O&M budget request is \$27.7 million higher primarily due to increased labor costs driven by inflationary pressures and funding for 52 new positions intended to address strain points within the organization
- The ISO will offset some of the operating cost increase through continued growth in the other revenue categories, a smaller collection of capital, and a sizeable return of funds through the operating reserve credit

GMC Revenue Requirement: The proposed revenue requirement increased by \$0.1 million from the draft revenue requirement

GMC Revenue Requirement (\$ in millions)	2023 Budget	2022 Budget	Change \$	Change %
Operations & Maintenance Budget	\$238.4	\$210.7	\$27.7	13%
Debt Service (including 25% reserve)	14.7	14.7	0.0	0%
Cash Funded Capital	21.0	30.0	(9.0)	-30%
Other Costs and Revenues	(57.6)	(53.7)	(3.9)	7%
Operating Cost Reserve Adjustment	(16.8)	(19.1)	2.3	-12%
Total GMC Revenue Requirement	\$199.7	\$182.6	\$17.1	9%
Transmission Volume Estimate in TWh	234.2	233.5	0.7	0%
Pro-forma bundled cost per MWh	\$0.8527	\$0.7820	\$0.0707	9%

O&M Budget: The proposed O&M budget increase is driven primarily by additional positions and upward cost pressures in the labor market

O&M Budget by Resource Category (\$ in millions)	2023 Budget	2022 Budget	Change \$ / #	Change %
Salaries & Benefits	\$183.1	\$159.1	\$24.0	15%
Occupancy Costs & Equipment Leases	3.0	3.0	(0.0)	-1%
Telecom, HW/SW Maintenance Costs	15.1	13.9	1.2	9%
Consultants & Contract Staff	15.0	13.8	1.2	9%
Outsourced Contracts & Professional Fees	13.2	12.5	0.6	5%
Training, Travel, & Other Costs	9.0	8.3	0.7	9%
Total	\$238.4	\$210.7	\$27.7	13%
Budgeted Positions	746	694	52	7%

Debt Service: Annual requirement remains \$14.7 million

- \$165.4 million outstanding principal
- \$14.7 million requirement consists of:
 - \$11.7 million in debt payments due to bondholders, and
 - \$3 million to be collected for required reserve
- Level annual debt service until February 2039
 - Bonds are callable in February 2031

Cash-Funded Capital: \$21 million will be collected for capital in the proposed revenue requirement

- Total project approvals are targeted at \$25 million for further market, operational, and technology enhancements as well as for other capital projects
- Leverage \$4 million from capital reserves to fund projects
- List of proposed projects is contained within the budget book

Other Costs and Revenues: Higher RC funding requirement and new WEIM customers help drive other revenues to increase to \$57.6 million

Other Costs and Revenue (\$ in millions)	2023 Budget	2022 Budget	Change
Reliability Coordinator Funding Requirement	\$19.7	\$18.0	\$1.7
Western Energy Imbalance Market Administrative Charges	15.3	14.1	1.2
Nodal Pricing Model Fee	8.4	8.4	-
Intermittent Resource (wind and solar) Forecasting Fees	5.5	5.0	0.5
Interest Earnings	4.0	3.8	0.2
Generation Interconnection Project Fees	2.0	2.0	-
HANA Administrative and Setup Fees	1.1	0.9	0.2
Scheduling Coordinator Application and Other Fees	0.9	0.8	0.1
California-Oregon Intertie Path Operator Fees	0.7	0.7	-
Total Other Costs and Revenue	\$57.6	\$53.7	\$3.9

Operating Cost Reserve Adjustment: Favorable 2021 collections and spend results lead to \$16.8 million reduction in the 2023 revenue requirement

Operating Cost Reserve Adjustment (\$ in millions)	2023 Budget	2022 Budget	Change
Change in the 15% reserve for O&M budget	(\$4.2)	(\$1.5)	(\$2.7)
25% debt service collection from prior year	2.9	3.4	(0.5)
True-up of budget to actual revenues and expenses	18.0	17.2	0.8
Total Operating Cost Reserve Credit / (Debit)	\$16.8	\$19.1	(\$2.3)

Rates: Forecasted charges and rates will increase in comparison primarily due to higher revenue requirement

Summary of Rates (\$ per MWh)	2023 Rate	2022 Rate	Change \$
Grid Management Charges			
Market Service Charge	\$0.1513	\$0.1265	\$0.0248
Systems Operations Charge	\$0.2167	\$0.1700	\$0.0467
CRR Services Charge	\$0.0071	\$0.0055	\$0.0016
Supplemental Services Rates			
WEIM Market Service	\$0.0953	\$0.0797	\$0.0156
WEIM System Operations	\$0.1084	\$0.0850	\$0.0234
RC Service Rate	\$0.0305	\$0.0278	\$0.0027

All other rates and fees remain the same.

Key calendar dates and next steps

Previous Events	Date
Initial stakeholder meeting	July 25
Internal budgeting process	July – October
Preliminary draft budget posted to ISO website	October 25
Preliminary budget reviewed by Board of Governors	October 27
Follow up stakeholder budget meeting	November 2
Final internal budgeting process	November – December

Upcoming Events	Date
Board decision on 2023 Budget and Grid Management Charges	December 14
2023 Rates and GMC revenue requirement documentation posted to ISO website	December 21