



California ISO

Decision on 2024 Budget and Grid Management Charges

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ISO Board of Governors meeting
General Session

December 14, 2023

Highlights: 2024 Revenue Requirement developed using updated Cost-of-Service Study results

- Wage inflation and additional positions drive operations and maintenance (O&M) higher
- Expected higher interest rates drive interest earning revenue higher
- Leveraging capital reserve to fund project budget
- 2024 revenue requirement is \$201.9M, which is just shy of the \$202M cap.

GMC Revenue Requirement: The proposed revenue requirement increased by \$2.2 million, primarily due to a higher O&M budget

GMC Revenue Requirement (\$ in millions)	2024 Budget	2023 Budget	Change
Operations & Maintenance Budget	\$255.7	\$238.4	\$17.3
Debt Service (including 25% reserve)	14.7	14.7	0.0
Cash Funded Capital	8.0	21.0	(13.0)
Other Costs and Revenues	(63.6)	(57.6)	(6.0)
Operating Costs Reserve Adjustment	(12.9)	(16.8)	3.9
Total GMC Revenue Requirement	\$201.9	\$199.7	\$2.2
Transmission Volume Estimate in TWh	242.5	234.2	8.3
Pro-forma bundled cost per MWh	\$ 0.83	\$ 0.85	\$ (0.02)

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)	2024 Budget	2023 Budget	Change
Salaries & Benefits	\$194.1	\$183.1	\$11.0
Occupancy Costs & Equipment Leases	\$3.3	3.0	0.3
Telecom, HW/SW Maintenance Costs	\$15.9	15.1	0.8
Consultants & Contract Staff	\$18.9	15.0	3.9
Outsourced Contracts & Professional Fees	\$14.3	13.2	1.1
Training, Travel, & Other Costs	\$9.2	9.0	0.2
Total O&M Budget	\$255.7	\$238.4	\$17.3
Budgeted Headcount	759	746	13

Debt Service:

Annual requirement remains \$14.7 million

- \$148 million principal remaining to be collected as part of the revenue requirements
- \$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: \$8 million will be collected for capital in the proposed revenue requirement

- Total project approvals are targeted at \$25 million
- Leverage \$17 million from capital reserves to fund projects
- Portfolio focus areas:
 - Reliability and efficient operations
 - Technology foundation improvements
 - Transmission planning infrastructure
 - Market and resource adequacy
 - Stakeholder engagement and customer service
 - Facilities and other projects

Other Costs and Revenues: \$6M increase is primarily due to higher projected interest earnings driven by favorable interest rates

Other Costs and Revenue (\$ in millions)	2024 Budget	2023 Budget	Change
Reliability Coordinator Funding Requirement	\$17.6	\$19.7	(\$2.1)
Western Energy Imbalance Market Administrative Charges	15.6	15.3	0.3
Nodal Pricing Model Fee	9.2	8.4	0.8
Interest Earnings	9.0	4.0	5.0
Intermittent Resource (wind and solar) Forecasting Fees	6.5	5.5	1.0
Generation Interconnection Project Fees	3.0	2.0	1.0
Other Revenue	2.7	2.7	-
Total Other Costs and Revenue	\$63.6	\$57.6	\$6.0

Operating Cost Reserve Adjustment:

Favorable 2022 collections and spend results contribute to \$12.9M reduction in the 2024 revenue requirement

Operating Cost Reserve Adjustment (\$ in millions)	2024 Budget	2023 Budget	Change
Change in the 15% reserve for O&M budget	(\$2.6)	(\$4.2)	\$1.6
25% debt service collection from prior year	2.9	2.9	0.0
True-up of budget to actual revenues and expenses	12.6	18.1	(5.5)
Total Operating Cost Reserve Credit / (Debit)	\$12.9	\$16.8	(\$3.9)

Rates: GMC rate decreases are driven by higher projected volumes

Summary of Rates (\$ per MWh)	2024 Rate	2023 Rate	Change
Grid Management Charges			
Market Service Charge	\$0.1376	\$0.1513	(\$0.0137)
Systems Operations Charge	\$0.2127	\$0.2167	(\$0.0040)
CRR Services Charge	\$0.0069	\$0.0071	(\$0.0002)
Miscellaneous Fixed Fees			
TOR Charge	\$0.3250	\$0.1800	\$0.1450
Supplemental Services Rates			
WEIM Market Service	\$0.0888	\$0.0953	(\$0.0066)
WEIM System Operations	\$0.0893	\$0.1084	(\$0.0190)
RC Service Rate	\$0.0270	\$0.0278	(\$0.0008)

Key calendar dates and next steps

Previous Events	Date
Initial stakeholder meeting	August 8
Internal budgeting process	August – October
Draft 2024 Budget and Grid Management Charges posted to public website	October 25
Follow up stakeholder budget meeting	October 31
Draft budget reviewed by ISO Board of Governors	November 9
Internal budgeting process	November – December

Upcoming Events	Date
ISO Board of Governors decision on 2024 Budget and Grid Management Charges	December 13-14
2024 rates and GMC revenue requirement documentation posted to ISO website	December 20