



# Briefing on 2019 Cost of Service Study and 2021 GMC Update

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Stakeholder Call

June 24, 2020

# Agenda

## TOPIC

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**2019 Cost of Service Study Overview**

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**2021 Update and Impact to GMC Percentages**

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**Impact to EIM Percentages**

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**Impact to RC Funding Percentage**

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**Impact to Supplemental Fees**

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**Tariff Amendments**

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**Key Calendar Dates and Next Steps**

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# 2019 Cost of Service Study Overview

# What is the cost of service study?

A triennial study in which activity based costing (ABC) and the revenue requirement components are used to set forth the *cost category percentages* used to calculate the annual grid management charges (GMC) as well as other rates and fees.

GMC Rate Calculation								
Annual Revenue Requirement	X	Cost of Service Study's GMC Percentages	=	Amount to Collect per GMC Cost Category	/	Estimated GMC Volumes	=	GMC Rates

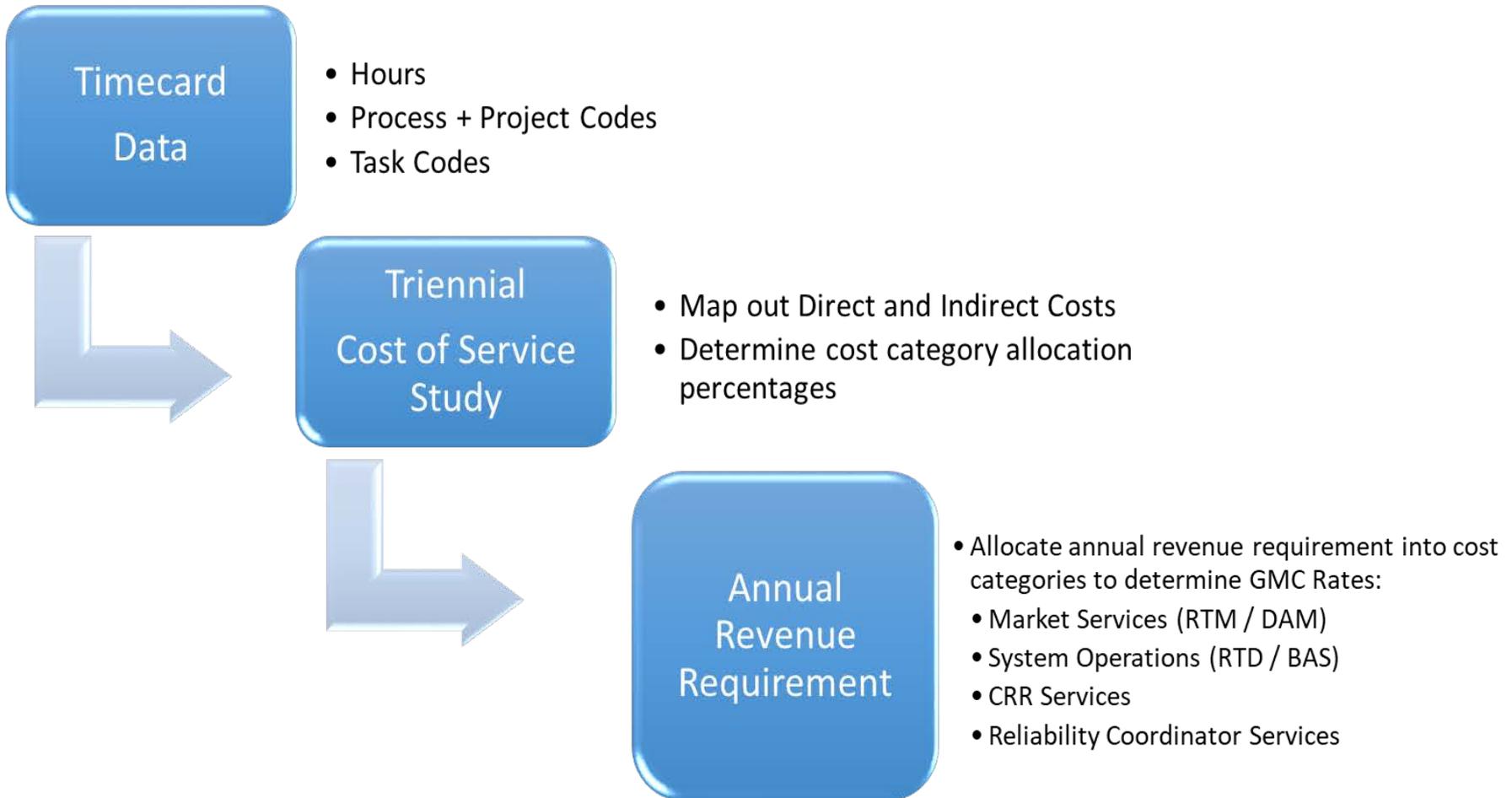
# Impacted Charges, Rates and Fees

Updated percentages are applied to:

- Market Services Charge
- System Operations Charge
- Congestion Revenue Rights Services (CRR Services) Charge
- Fees and Rates
  - EIM Fees
  - RC Rate
  - Supplemental Fees

Percentages set forth in the study are used for a period of 3 years until the next cost of service study is conducted.

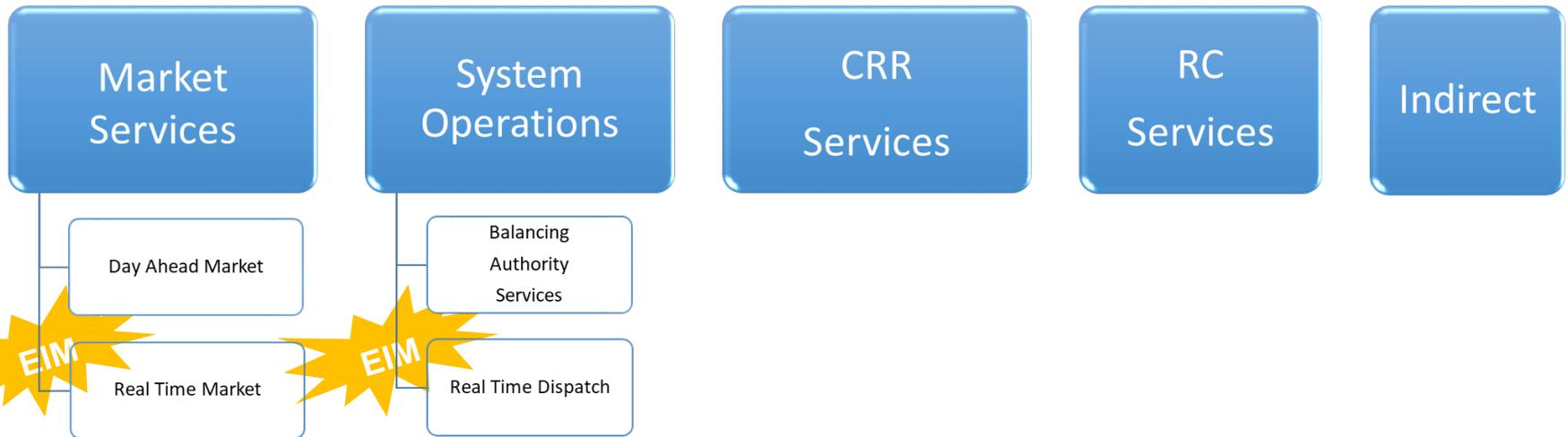
# What steps are involved?



# Mapping of Core Business Processes

ABC Process Code	Level 1 ABC Activity	Number of Level 2 Activity Tasks	Number of Non-Administrative 2019 Hours Reported
<b>Direct</b>			
80001	Develop Infrastructure	10	78,397
80002	Develop Markets	9	55,434
80004	Manage Market & Reliability Data & Modeling	10	134,537
80005	Manage Market & Grid	6	198,864
80007	Manage Operations Support & Settlements	12	80,178
80008	Plan & Manage Business	12	85,738
80009	Support Business Services	34	297,001
80010	Support Customers & Stakeholders	6	58,025
	<b>Total</b>	<b>99</b>	<b>988,173</b>
<b>Indirect</b>			
80003	Manage Human Capabilities	8	23,978
<b>9</b>	<b>Total</b>	<b>107</b>	<b>1,012,151</b>

# Cost Categories





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# 2021 Update and Impact to GMC Percentages

# Summary of GMC Cost Category Percentage Changes

Cost Category	2016 Study Effective 2018 GMC	2019 Study Effective 2021 GMC	Increase / (Decrease) from Prior
Market Services	32%	49%	17%
System Operations	66%	49%	-17%
CRR Services	2%	2%	0%

## System Operations to Market Services Shift

Primarily driven by efficiencies accomplished in supporting system operations.

- Automation of services,
- System improvements,
- and process efficiencies.

# GMC Rates Comparison

Rates Comparison				
<i>\$ Rates per MWh</i>				
		GMC Cost Categories		
Year		Market Services	System Operations	CRRs
2020 (eff 1/1/20)		\$ 0.0994	\$ 0.2788	\$ 0.0078
2020 (Using 2019 COSS results)		\$ 0.1601	\$ 0.2059	\$ 0.0078
Increase / (Decrease) From Prior		\$ 0.0607	\$ (0.0729)	\$ -
Projected 2021 (using 2019 COSS results)		\$ 0.1533	\$ 0.1977	\$ 0.0074



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# Impact to EIM Percentages

# Summary of EIM Percentage Changes

Cost Category	Sub-Category	2016 Study Effective 2018 GMC	2019 Study Effective 2021 GMC	Increase / (Decrease) from Prior
Market Services	Real Time Market	79%	63%	-16%
	Day Ahead Market	21%	37%	16%
System Operations	Real Time Dispatch	39%	50%	11%
	Balancing Authority	61%	50%	-11%

The primary driver of the shifts is a balancing of efforts between the market services and system operations functions and responsibilities.

# EIM Rates Comparison

<b>Rates Comparison</b>				
<i>\$ Rates per MWh</i>				
<b>Year</b>	<b>EIM Rate</b>	<b>RT Market</b>	<b>RT Dispatch</b>	
2020 (eff 1/1/20)	\$ 0.1872	\$ 0.0785	\$ 0.1087	
2020 (Using 2019 COSS results)	\$ 0.2039	\$ 0.1009	\$ 0.1030	
Increase / (Decrease) From Prior	\$ 0.0167	\$ 0.0224	\$ (0.0057)	
Projected 2021 (using 2019 COSS results)	\$ 0.1955	\$ 0.0966	\$ 0.0989	



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# Impact to RC Funding Percentage

# RC Rate Structure

RC Rate Calculation								
Annual Revenue Requirement	X	Cost of Service Study's RC Funding Percentage	=	RC Funding Requirement	/	Reported Mwh	=	RC Rate

- **RC Funding Percentage**
  - The RC funding percentage represents the direct and indirect time and expense necessary for the CAISO to perform its RC services and functions.
- **RC Funding Requirement**
  - The RC funding percentage is used similarly to that of the GMC cost category percentages in that the RC funding percentage is multiplied against the revenue requirement in order to determine the RC funding requirement.
- **RC Rate**
  - The RC funding requirement is then divided by the reported MWh to determine the RC rate/MWh.

# Summary of RC Funding Percentage Change

<b>Cost Category</b>	<b>2016 Modified Study Effective 2019 GMC</b>	<b>2019 Study Effective 2021 GMC</b>	<b>Increase / (Decrease) from Prior</b>
Reliability Coordinator Services	9%	9%	0%

- No change in the RC funding percentage from that of the initial calculation.
- No change in rate design.
  - CAISO determined that there is no separation of duties between supporting a load serving entity and generator only entity that supports a change in the RC rate design.

# RC Rates Comparison

Rates Comparison		
<i>\$ Rates per MWh</i>		
Year		RC Rate
2020 (eff 1/1/20)	\$	0.0278
2020 (Using 2019 COSS results)	\$	0.0278
Increase / (Decrease) From Prior	\$	0.0000
Projected 2021 (using 2019 COSS results)	\$	0.0267



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# Impacts to the Supplemental Fees

## Supplemental Fees Impacted

The study was also used to analyze efforts that support other supplemental services. The results indicate resources to process applications and statements increased. Whereas, resources to support TOR efforts decreased.

### Impacted Fees:

- Scheduling Coordinator ID (SCID) Fee
- Transmission Ownership Rights (TOR) Fee
- Scheduling Coordinator Application Fee
- Congestion Revenue Rights Application Fee

# Summary of Fee Changes

Fee	Billing Units	Current Fee	Updated Fee
Bid Segment Fee	per bid segment	\$ 0.0050	No Change
Inter SC Trade Fee	per Inter SC Trade	\$ 1.0000	No Change
Scheduling Coordinator ID Fee	per month	\$ 1,000	\$ 1,500
TOR Fees	minimum of supply or demand TOR MWh	\$ 0.2400	\$ 0.1800
CRR Bid Fee	number of nominations and bids	\$ 1.00	No Change
Intermittent Resource Forecasting Fee	per MWh	\$ 0.1000	No Change
Scheduling Coordinator Application Fee	per application	\$ 5,000	\$ 7,500
CRR Application Fee	per application	\$ 1,000	\$ 5,000
HANA Administrative Fee	annual fee	\$ 45,000	No Change
HANA Setup Fee	one time fee	\$ 35,000	No Change



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# Tariff Amendments

# Tariff Amendments

- Tariff Amendments to include:
  - Cost of service study percentage and fee updates
  - Clarifying healthcare reserve language



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# Key Calendar Dates and Next Steps

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Key Date	Event
July 1, 2020	Stakeholder comments due
July 9	Post Stakeholder meeting minutes and Stakeholder comments (with replies) to website.
July 29	Conduct 2 <sup>nd</sup> Stakeholder meeting (call) to review final draft proposal and tariff amendments
September 16	Present 2021 GMC update to EIM Governing Body
September 30 – October 1	Present 2021 GMC update to Board of Governors
October	File amended Tariff with FERC
Jan 1, 2021	New GMC Percentages and Fees go into effect

*\*Dates are subject to change*

# Stakeholder Feedback and Discussion

- Comments? Questions?
- Please submit follow up comments and / or questions to [initiativecomments@caiso.com](mailto:initiativecomments@caiso.com) by close of business July 1.
- The discussion paper is available on the ISO website at <http://www.caiso.com/informed/Pages/StakeholderProcesses/Budget-GridManagementCharge.aspx>.