



California ISO

# Briefing on Draft 2020 Budget and Grid Management Charge

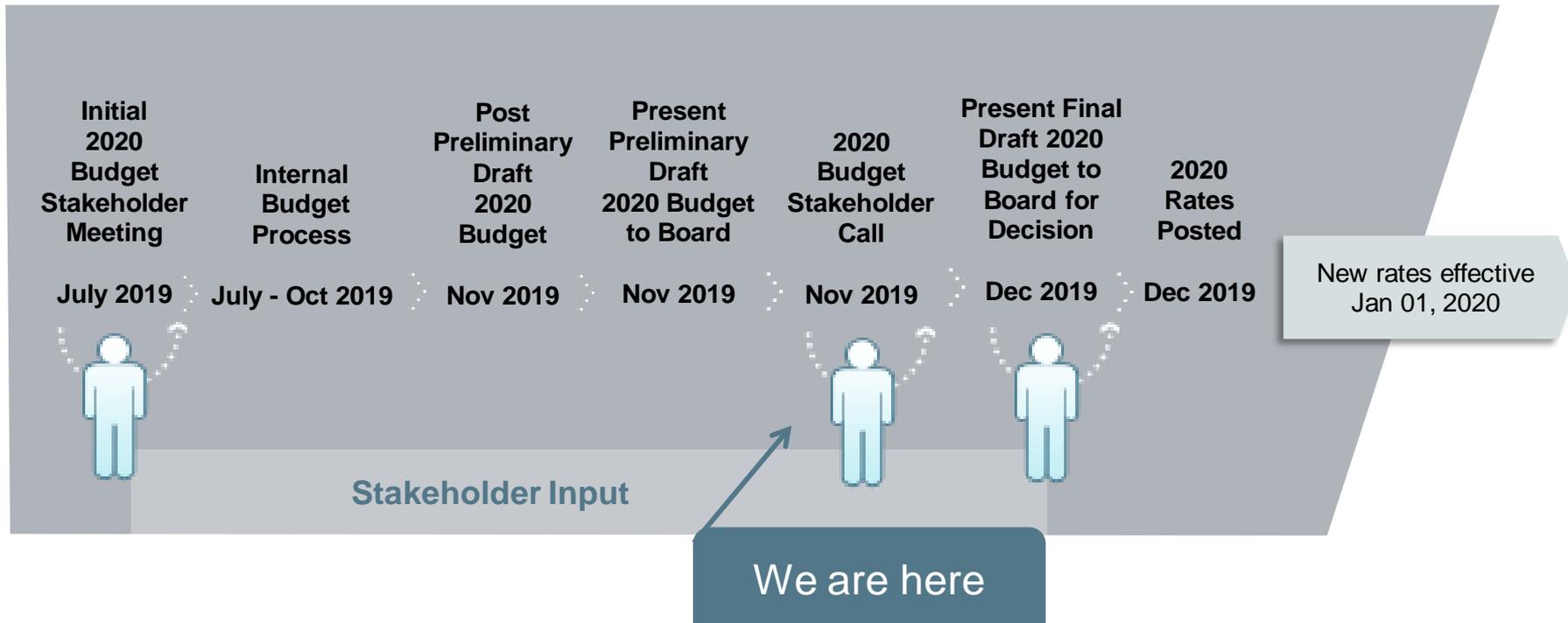
April Gordon

Director, Financial Planning and Procurement

Stakeholder Meeting

November 20, 2019

# 2020 GMC Revenue Requirement and Rates Timeline



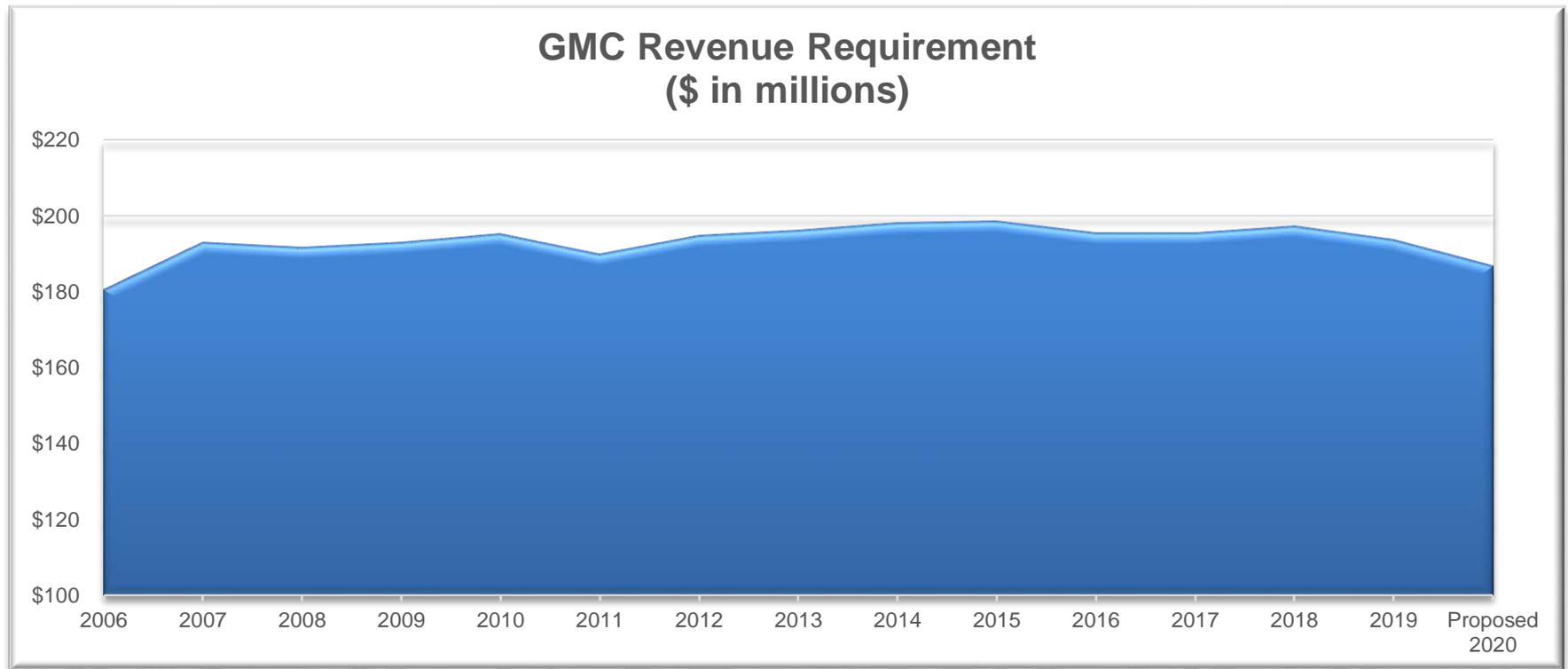
Diversified revenue streams lead to favorable revenue requirement while still developing well-rounded budgets that serve our needs.

- At \$186.8 million, the 2020 revenue requirement is the lowest revenue requirement since 2006.
- O&M budget increases by \$6 million primarily due to budgeted merit and other compensation increases, additional contract staff, and RC related tools.
- However, RC and EIM revenue help drive other revenues to increase by \$16.5 million, lowering the net revenue requirement.

The proposed revenue requirement is \$6.7M less than 2019.

<b>GMC Revenue Requirement (\$ in millions)</b>	<b>2020 Budget</b>	<b>2019 Budget</b>	<b>Change \$</b>
Operations & Maintenance Budget	\$195.0	\$189.0	\$6.0
Debt Service (including 25% reserve)	16.9	16.9	0.0
Cash Funded Capital	28.0	25.0	3.0
Other Costs and Revenues	(40.4)	(23.9)	(16.5)
Operating Costs Reserve Adjustment	(12.7)	(13.5)	0.8
<b>Total GMC Revenue Requirement</b>	<b>\$186.8</b>	<b>\$193.5</b>	<b>(\$6.7)</b>
Transmission Volume Estimate in TWh	238.4	239.7	(1.3)
<b>Pro-forma bundled cost per MWh</b>	<b>\$0.7836</b>	<b>\$0.8073</b>	<b>(\$0.0238)</b>

# GMC Revenue Requirement: Continuing to support long-term annual revenue requirement stability.



**O&M Budget**: The proposed O&M budget increases by \$6 million to \$195 million.

<b>O&amp;M Budget by Resource (\$ in millions)</b>	<b>2020 Budget</b>	<b>2019 Budget</b>	<b>Change</b>
Salaries and Benefits	\$145.6	\$141.2	\$4.4
Occupancy Costs and Equipment Leases	2.9	2.9	-
Telecom, HW/SW Maintenance Costs	14.4	14.5	(0.1)
Consultants and Contract Staff	12.5	11.8	0.7
Outsourced Contracts and Professional Fees	12.0	11.1	0.9
Training, Travel, and Other costs	7.6	7.5	0.1
<b>Total</b>	<b>\$195.0</b>	<b>\$189.0</b>	<b>\$6.0</b>

**Debt Service**: Annual requirement remains at \$16.9 million on outstanding 2013 bonds.

- \$163.4 million of bond principal outstanding
- \$16.9 million requirement consists of:
  - \$13.5 million in debt payments due to bondholders, and
  - \$3.4 million to be collected for required reserve
- Level annual debt service until February 2039
  - Bonds are callable February 2023

**Capital/Project**: \$28 million will be collected for capital in the proposed revenue requirement.

- Total project approvals are targeted at \$22 million for further market, operational, and technology enhancements as well as for other capital projects
- \$6 million difference will add to capital reserves
- List of proposed projects is contained within the budget book, which ultimately will be prioritized down to the final budgeted amount

**Other Costs and Revenues:** RC and EIM revenue help drive other revenues to increase by \$16.5 million.

<b>Other Costs and Revenue (\$ in millions)</b>	<b>2020 Budget</b>	<b>2019 Budget</b>	<b>Change</b>
Reliability Coordinator Funding Requirement	\$18.5	\$4.3	\$14.2
Energy Imbalance Market Administrative Charges	9.3	8.6	0.7
Intermittent Resource Forecasting Fees	4.0	3.8	0.2
Interest Earnings	3.9	3.3	0.6
California-Oregon Intertie Path Operator Fees	2.0	2.0	-
Generation Interconnection Project Fees	1.4	1.5	(0.1)
HANA Administrative Fees	0.9	-	0.9
Scheduling Coordinator Application and Other Fees	0.4	0.4	-
<b>Total Other Costs and Revenue</b>	<b>\$40.4</b>	<b>\$23.9</b>	<b>\$16.5</b>

**Operating Cost Reserve Adjustment**: Favorable 2018 collections and spend results lead to \$12.7 million credit in the 2020 revenue requirement.

<b>Operating Cost Reserve Adjustment (\$ in millions)</b>	<b>2020 Budget</b>	<b>2019 Budget</b>	<b>Change</b>
Change in the 15% reserve for O&M budget	(\$0.9)	(\$1.6)	\$0.7
25% debt service collection from prior year	3.4	3.4	-
True-up of budget to actual revenues and other expenses	10.2	11.7	(1.5)
<b>Total Operating Cost Reserve Credit / (Debit)</b>	<b>\$12.7</b>	<b>\$13.5</b>	<b>(\$0.8)</b>

**Rates**: Majority of forecasted rates decrease from 2019 rates.

<b>Summary of Rates (\$ per MWh)</b>	<b>2020 Rate</b>	<b>2019 Rate</b>	<b>Change \$</b>
<b>Grid Management Charges</b>			
Market Service Charge	\$0.0993	\$0.1065	(\$0.0072)
Systems Operations Charge	\$0.2776	\$0.2797	(\$0.0021)
CRR Services Charge	\$0.0078	\$0.0100	(\$0.0022)
<b>Supplemental Services Rates</b>			
EIM Market Service	\$0.0784	\$0.0841	(\$0.0057)
EIM System Operations	\$0.1083	\$0.1091	(\$0.0008)
RC Service Rate	\$0.0278		

- All miscellaneous fixed fees remain the same.

# RC Rates Comparison

<b>Comparison of RC Costs and Rates</b>	<b>CAISO RC West</b>	<b>Peak RC*</b>	<b>Savings over Peak RC \$</b>	<b>Savings over Peak RC %</b>
Funding Requirement (in millions)	\$ 18.5	\$ 44.6	\$ (26.1)	-59%
Rate per MWh	\$ 0.0278	\$ 0.0558	\$ (0.0280)	-50%
*Per Peak RC's 2018 funding requirement				

- In addition to RC rate savings, the CAISO market participants are also receiving a net \$10.5 million savings in the GMC revenue requirement.

## Key calendar dates and next steps.

Upcoming Events	Date
Final internal budgeting process	November - December
Stakeholder comments due to ISO Send to <a href="mailto:initiativecomments@caiso.com">initiativecomments@caiso.com</a>	November 27
ISO response to comments and meeting minutes posted to ISO website	December 4
Board decision on GMC revenue requirement (general session)	December 18-19
2020 Rates and GMC revenue requirement documentation posted to ISO website	December 31