California ISO

2027 Grid Management Charge Revenue Requirement, Project Budget, and Rates Development Process –

CAISO Response to Stakeholder Comments and Questions

Stakeholder conference call meeting was held on July 13, 2026.

Supporting meeting documents are available here:

California ISO - Grid management charge revenue requirement, project budget, and rates - 2027

Submitted by	Company	Date Submitted
Name: Connor Kennedy **Company:** PacifiCorp	PacifiCorp	7/27/2026

Please provide your organization's comments on the July 13 stakeholder meeting on the 2027 Grid Management Charge Revenue Requirement, Project Budget, and Rate Development Process:

PacifiCorp appreciates CAISO's continued transparency regarding Grid Management Charge (GMC) cost recovery and the additional project-level information provided in this process. In particular, several preliminary 2027 projects appear to support programs or functions that may primarily benefit CAISO-specific operations. PacifiCorp requests that CAISO clarify the extent to which costs associated with these projects are recovered from participants outside the CAISO balancing area (BA) and the basis for such cost allocation. PacifiCorp supports cost allocation approaches that align charges with the beneficiaries of the underlying services.

PacifiCorp also requests confirmation that the System Operations Balancing Authority Area (BAA) Service charge code does not apply to Extended Day-Ahead Market (EDAM) balancing authority areas outside of the CAISO BA, as PacifiCorp understands this charge is intended to recover costs associated with services provided within the CAISO BA only.

CAISO Response:

CAISO appreciates PacifiCorp's comments and support for the transparency provided through the GMC revenue requirement and project budget development process.

The annual project budget is developed through a structured prioritization process that evaluates forecasted business needs, strategic objectives, regulatory requirements, operational risk, and available funding. While projects are included in the proposed budget based on these forecasted needs and priorities, funding is allocated throughout the year based on continued prioritization and each project's readiness to proceed. As business priorities evolve, projects may be accelerated, deferred, or reprioritized to ensure resources are directed to the highest-value initiatives.

The annual GMC revenue requirement includes a cash-funded capital component, which is recovered from market participants through the applicable GMC rates. Because these capital costs represent indirect costs of operating and maintaining the CAISO, they are allocated across the GMC rate categories using the same cost allocation methodology applied to other indirect costs as established in the CAISO Tariff and Cost-of-Service Study. Accordingly, project costs are not allocated based solely on the sponsoring organization or where the work is performed, but rather in a manner designed to align cost recovery with the services provided and the applicable beneficiaries.

To the extent completed projects result in future operations and maintenance (O&M) expenses, those ongoing costs are incorporated into the annual revenue requirement and allocated to the applicable GMC rate categories in accordance with the same cost allocation methodology.

Regarding the System Operations Balancing Authority Area (BAA) Services charge, PacifiCorp's understanding is correct. The System Operations BAA Services charge applies only to services provided within the CAISO BAA and does not apply to EDAM balancing authority areas outside the CAISO BAA. Participants in EDAM balancing authority areas are instead subject to the applicable Market Services and System Operations Real-Time Dispatch charges established under the CAISO Tariff.

CAISO will continue to provide project-level information and transparency regarding the revenue requirement, project budget, and applicable cost allocation methodologies throughout the annual budget development process.

Submitted by	Company	Date Submitted
Name: Sylwia Dakowicz **Company:** Duncan, Weinberg, Genzer & Pembroke, P.C.	Comments submitted on behalf of the City of Santa Clara, California, doing business as Silicon Valley Power ("SVP") and the Modesto Irrigation District ("MID")	7/27/2026

Please provide your organization's comments on the July 13 stakeholder meeting on the 2027 Grid Management Charge Revenue Requirement, Project Budget, and Rate Development Process:

The City of Santa Clara, dba Silicon Valley Power (SVP) and the Modesto Irrigation District (MID), appreciate the opportunity to submit comments regarding CAISO's 2027 Grid Management Charge Revenue Requirement, Project Budget, and Rates development process. SVP and MID submit several questions below for better understanding of CAISO's current financial condition and plans for 2027.

Regarding CAISO's "Active Projects to Date":

- Please explain whether the projects with no budget expenditure to date are still slated to be completed by the end of 2026 (this includes the following projects: "Compliance Process and Tools Improvements (planning phase)" and "Credit Tracking Systems (CTS) Redesign (planning phase)").

Regarding CAISO's "Preliminary Projects for 2026-2027":

- Please explain whether any projects or project types will be prioritized and, if so, which ones.

Regarding the July 13, 2026 Presentation:

- Please explain what the projected $31 million for Cash Funded Capital will fund. Slide 8.
- Please explain the decrease in projected costs for 'Other Costs and Revenues' and 'Operating Cost Reserve Adjustment.' Slide 8.

- For the 'Market Services Charge' and 'System Operations Real-Time Dispatch Charge', please explain why rates are predicted to increase in 2027 and then decrease in 2028. Slide 8.

Regarding CAISO's Q1 Financial Report:

- For the quarter ending March 31, 2026, please explain what caused GMC collection revenues to be $0.5 million lower than expected. Page i.
- Does CAISO currently forecast that GMC collection revenues will match projected amounts for the remainder of 2026?
- Given that CAISO currently employs 757 full-time employees, and the budget accommodates 790 full-time employees, does CAISO plan to hire additional employees? Page 1.

CAISO Response:

CAISO appreciates the comments and questions submitted by Silicon Valley Power (SVP) and Modesto Irrigation District (MID).

Regarding the "Active Projects to Date":

As a general rule, projects with no expenditure reported to date remain active unless otherwise noted. Many projects begin with planning, business analysis, procurement, or design activities before incurring material project costs. As a result, the absence of expenditures early in the year does not necessarily indicate that a project is delayed or inactive.

Project execution and spending are dependent on project readiness, resource availability, and enterprise priorities. Accordingly, schedules and expenditures may be adjusted throughout the year as priorities evolve.

With respect to the two projects referenced - Compliance Process and Tools Improvements and Credit Tracking Systems Redesign - both projects have initiated work since the report was published and are progressing as planned.

Regarding the "Preliminary Projects for 2026-2027":

Yes, the proposed project budget reflects CAISO's forecasted business needs and is developed through an enterprise prioritization process that considers strategic objectives, regulatory requirements, operational reliability, risk mitigation, resource availability, and funding capacity.

Approval of the annual project budget establishes spending authority but does not commit funding to every project. Throughout the year, projects continue to be evaluated based on readiness to proceed and enterprise priorities. As conditions change, projects may be accelerated, deferred, or reprioritized to ensure resources remain focused on the highest-value initiatives.

Regarding the July 13, 2026 Presentation:

Cash Funded Capital - The projected $31 million of Cash Funded Capital represents planned investments in approved capital projects expected to be funded directly from operating cash rather than debt financing. These funds support CAISO's capital investment portfolio, including technology, infrastructure, facility, cybersecurity, and market enhancement initiatives approved through the annual project budget process.

Other Costs and Revenues / Operating Cost Reserve Adjustment - The projected decrease in Other Costs and Revenues primarily reflects changes in non-GMC revenue offsets and other funding sources incorporated into the annual revenue requirement forecast. The decrease in the Operating Cost Reserve Adjustment reflects the planned use and replenishment of operating reserves consistent with CAISO's reserve policy and financial planning assumptions.

Projected GMC rates - The Market Services and System Operations Real-Time Dispatch rates are projected to increase in 2027 primarily due to growth in the revenue requirement, including the return of cash-funded capital and changes in offsetting revenues. Rates are projected to decline in 2028 as additional EDAM participation expands the billing determinants over which costs are recovered, allowing costs to be spread across a larger usage base.

Regarding the Q1 Financial Report:

Lower-than-expected GMC collections - The $0.5 million variance in first-quarter GMC collections primarily reflects normal differences between forecasted and actual billing determinants and market activity during the quarter. Such quarterly variances are expected and are monitored throughout the year.

2026 GMC collection forecast - Based on current information, CAISO continues to expect GMC collections to align with the approved annual revenue requirement over the course of 2026. Forecasts will continue to be monitored and updated as market activity and billing determinants evolve.

Staffing levels - CAISO's approved 2026 budget accommodates 790 full-time positions. While staffing levels fluctuate throughout the year due to normal hiring and attrition, CAISO continues to recruit for approved positions based on business priorities and operational needs. The current staffing level reflects the normal timing difference between approved positions and filled positions. CAISO will continue to manage its workforce within the approved staffing level in the foreseeable future.