



California ISO

Briefing on Draft 2023 Budget and Grid Management Charges

April Gordon

Director, Financial Planning and Procurement

Stakeholder Meeting

November 2, 2022

Instructions for raising your hand to ask a question

- If you are connected to audio through your computer or used the “call me” option, select the raise hand icon located on the top right above your chat window. Note #2 only works if you dialed into the meeting.
 - Please remember to state your name and affiliation before making your comment
- You may send your questions via chat to either Brenda Corona and Yelena Kopylov-Alford or to all panelists.

Reminders:

- This call is being recorded for informational and conveniences purpose only. Any related transcription should not be reprinted without the ISO permission.
- Calls are structured to stimulate open dialogue and engage different perspectives with the understanding that stakeholder have reviewed the material.
- Please raise your hand if you have a question or comment at any time during the meeting and the facilitator will call on you
- Please start by stating your name and affiliation
- In the interest of time, please refrain from repeating or reiterating what has already been said.

Thank you for joining us, and we look forward to an engaging discussion.

2023 GMC Revenue Requirement and Rates Timeline



Highlights: Considerable upward cost pressures in the labor market and additional positions drive the 2023 revenue requirement to increase by \$17 million.

- At \$199.6 million, the 2023 revenue requirement is \$17 million higher than 2022.
- The O&M budget request is \$26.6 million higher primarily due to higher labor costs driven by inflationary pressures and funding for 50 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 \$17 million, primarily due to a higher O&M budget.

GMC Revenue Requirement (\$ in millions)	2023 Budget	2022 Budget	Change \$	Change %
Operations & Maintenance Budget	\$237.3	\$210.7	\$26.6	13%
Debt Service (including 25% reserve)	14.7	14.7	0.0	0%
Cash-Funded Capital	22.0	30.0	(8.0)	-27%
Other Costs and Revenues	(57.5)	(53.7)	(3.8)	7%
Operating Cost Reserve Adjustment	(16.9)	(19.1)	2.2	-12%
Total GMC Revenue Requirement	\$199.6	\$182.6	\$17.0	9%
Transmission Volume Estimate in TWh	234.2	233.5	0.7	0%
Pro-forma bundled cost per MWh	\$0.8523	\$0.7820	\$0.0703	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 (\$ in millions)	2023 Budget	2022 Budget	Change
Salaries and Benefits	\$182.6	\$159.0	\$23.6
Occupancy Costs and Equipment Leases	3.0	3.0	-
Telecom, HW/SW Maintenance Costs	15.0	13.9	1.1
Consultants and Contract Staff	14.6	14.1	0.5
Outsourced Contracts and Professional Fees	13.1	12.3	0.8
Training, Travel, and Other Costs	9.0	8.4	0.6
Total	\$237.3	\$210.7	\$26.6

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: \$22 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 \$3 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 \$57.5 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 Fees	1.0	0.9	0.1
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	\$57.5	\$53.7	\$3.8

Operating Cost Reserve Adjustment: Favorable 2021 collections and spend results lead to \$16.9 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	(\$4.0)	(\$1.5)	(\$2.5)
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)	\$16.9	\$19.1	(\$2.2)

Rates: Forecasted charges and rates will increase in comparison due to higher revenue requirement and lower projected volumes.

Summary of Rates (\$ per MWh)	2023 Rate	2022 Rate	Change \$
Grid Management Charges			
Market Service Charge	\$0.1524	\$0.1265	\$0.0259
Systems Operations Charge	\$0.2178	\$0.2004	\$0.0174
CRR Services Charge	\$0.0072	\$0.0055	\$0.0017
Supplemental Services Rates			
WEIM Market Service	\$0.0960	\$0.0797	\$0.0163
WEIM System Operations	\$0.1089	\$0.1002	\$0.0087
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 public website	October 25
Preliminary budget reviewed by Board of Governors	October 27
Upcoming Events	Date
Follow up stakeholder budget meeting	November 2
Final internal budgeting process	November – December
Board decision on 2023 Budget and Grid Management Charges	December 14
2023 Rates and GMC revenue requirement documentation posted to ISO website	December 21

Comments on Draft 2023 Budget and Grid Management Charges

- Comments due by end of day Nov 11, 2022
- Submit comments through the ISO's commenting tool, using the template provided on the process webpage:
<https://stakeholdercenter.caiso.com/RecurringStakeholderProcesses/Budget-and-grid-management-charge-process-2023>