

**Stakeholder comments and questions from the
2022 Budget and GMC Process stakeholder conference call meeting
held on July 22, 2021.**

Supporting meeting documents are available here,

<https://stakeholdercenter.caiso.com/RecurringStakeholderProcesses/Budget-grid-management-charge-process--2022>

Submitted by	Company or Entity	Date Submitted
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The City of Santa Clara California, doing business as Silicon Valley Power ("SVP") and the Modesto Irrigation District ("MID") thank the California Independent System Operator Corporation ("CAISO") for the opportunity to ask questions during the July 22, 2021 stakeholder meeting, and have the following additional questions, which SVP and MID respectfully request the CAISO answer.

Regarding CAISO's 2022-2023 Preliminary Project Listing:

What do the "Customer ISO Resource Adequacy (CIRA)-technical enhancements 2022" entail, and is this contingent on the RA Enhancements initiative being concluded first?

ISO Response

The project includes technology upgrades and enhancements for supportability and maintainability.

What does the COTP WAPA settlements project listing entail?

ISO Response

The project will develop a mechanism for the ISO to process invoices related to COTP losses.

Describe the "Enhanced curtailment tool" project.

ISO Response

The project will incorporate new data and curtailment logic to better account for transmission contract rights during e-tag curtailments.

Identify and explain any of the preliminary projects relating to cybersecurity efforts.

ISO Response

The CAISO does not provide scope details on security related projects. With that in mind, there are two projects to note related to cybersecurity.

The “Third party tools end of life & vulnerability remediation” project will upgrade and remediate software to remain on supportable versions.

The “Vulnerability scanner” project will upgrade or replace the existing solution.

Identify and explain any of the preliminary projects related to CAISO’s compliance with FERC Order 2222.

ISO Response

The CAISO internal teams are evaluating the FERC Order 2222 impacts and whether a specific capital project is required. If a project is needed it will be added to the final list.

Can CAISO specify the timeline and milestones it envisions undertaking in the TAC Structure Enhancements initiative in 2022-2023?

ISO Response

The “Transmission access charges (TAC) structure enhancements” project has not restarted yet; the project is scheduled for 2022 in order to align with the recent 2021 Policy Initiatives Roadmap updates. Updates will be available through the Stakeholder Initiatives Page and Release Users Group updates once the timeline and milestones are developed.

Regarding CAISO’s Active Project listing:

Please provide CAISO’s full list of what is included in the 2021 Campus Operation Funding project, which CAISO during the meeting noted is an existing document it offered to provide upon request.

ISO Response

The 2021 annual budget is \$250K; the current balance remaining is \$112K.

Project allocations include the following:

- Audio Visual purchases or enhancements = \$104K
- Software upgrade to existing system - \$34K

Please confirm or correct our understanding from the meeting discussion that the #12522 associated with 2021 Campus Operation Funding pertains to the project elements that can be capitalized, whereas the #21452 pertains to the project elements that cannot be capitalized such as software not owned by CAISO.

ISO Response

That is correct. Our 1xxxx project codes indicate that the costs allocated to these codes will be capitalized according to accounting guidelines. The 21xxx project codes indicate that that costs allocated to these codes will be expensed, we use the term non-capital as these costs are being tracked and funded from the approved capital and project budget that is approved annually by the CAISO Board of Governors.

Costs that are included in the non-capital category include:

Software development projects: Impact assessments, business requirement development, project plan development to determine costs of a project. Training costs that the project might incur, and costs for software for a service, and non-owned software enhancement fees.

Some Campus Operations projects: Costs include maintenance items not budgeted for in the current year's Operations and Management budget, outside labor costs incurred on projects, and any purchase that doesn't meet the CAISO capitalization cap of \$2K per individual item.

Hardware/software purchases within a year that do not meet our capitalization cap of \$2K per individual item.

Please explain the reason for the large increase shown in forecasted costs for the "2021 Campus Operation Funding" active project (i.e., \$1,017,967) that appears to only cover one year, relative to the approved project budget for the "Campus Operation 2019 & 2020" completed project (i.e., \$555,182) that appears to cover two years. Does CAISO anticipate these costs continuing to rise for the "Campus operations annual funding" 2022-2023 preliminary project?

ISO Response

The 2021 Campus Operations budget of \$1,017,967 is made up of three projects that were individually approved by the CMC this year. Two of the three projects were unplanned items for this year and account for the difference in "Focus on Customer and Other Costs" of \$ 518,000.

The projects include:

- Campus Operations annual funding request \$250K
 - See above for explanation.
- System software purchase \$267,967
- Folsom furniture/labor for cubicle relocation =\$500K

The CAISO will continue to fund annual Campus Operations related projects as necessary and cannot state at this time what it anticipates spending in the 2022-2023 funding years.

Please compare the “Summer 2021 Readiness Initiative” project with the “Summer 2021 Readiness Non Cap” project, in terms of what types of expenditures each project includes (please include detail beyond a general explanation that #12464 concerns project elements that can be capitalized, whereas #21450 concerns project elements that cannot be capitalized such as software not owned by the CAISO).

ISO Response

The Summer 2021 Readiness Initiative (project 12464) costs include vendor costs for various system enhancement, billed on a milestone basis. In addition, we have contractor costs for development of an in-house application, for testing of all systems, for business analysts for system design documentation and for updates and project management costs.

The Summer 2021 Readiness Non Cap (project 21450) costs include contractor costs for business analysts for preparing impact assessments and business requirements development.

See explanation provided for previous question for treatment of capitalizable vs. non-capitalizable cost concerns and restrictions.

On the active projects list, please describe the difference between the three RC-related projects (i.e., RC Enhancements 2020, RC 2021, and RC Forecast & Schedule Data Reporting Automation) in terms of what types of expenditures each project includes.

ISO Response

RC Enhancements 2020 (project 12251): The project captures costs for important features identified by the RC West group, Operations Compliance & Controls group, and Operations Engineering Service group that are for several applications, VSA, HANA, and OMS.

RC 2021 (project 12257): The project captures costs for items to improve visibility, functionality and operational features in the RC applications, VSA, DSA, LACA and SLIC.

RC Forecast & Schedule Data Reporting Automation (project 21436):
This project is in the requirements phase. The project focus is to implement externally-facing reporting functionality based on load, forecast, generation forecast and contingency reserve data.

The majority of the costs recorded against these projects are for internal and contract staff time.

Is the CRR System Replacement project part of a new initiative? Please describe in detail what this project entails, including the current projected timeline.

ISO Response

The CRR System Replacement project was approved in 2020 and funded in 2020. This project started with an RFP to replace the current Congestion Revenue Rights (CRR) application as it was put into place in 2008. The project is not changing the original intent of the CRR application. To date a vendor was selected, budget was determined and the CMC approved the project. The current projected timeline for completion is 11/1/22. Additional project details are available on the CAISO website. More information on this project will be delivered through the existing CAISO processes such as the Release User Group and the CRR User Group.

Costs on this project are expected to include vendor milestone billing as well as contractor time for internal applications that may need to be integrated into the new application and testing.

Identify and explain any active capital projects related to cybersecurity investments.

ISO Response

The only project that currently falls in this list is the JBoss, Java RHEL upgrade (project 21430) project. The project captures infrastructure software application update costs (including those for any required security changes).

Identify and explain any active capital projects related to CAISO's compliance with FERC Order 2222.

ISO Response

Currently, there is no approved project for FERC Order 2222.

Regarding the CAISO's list of Projects Completed July 2020 through June 2021:

Please describe in detail what the CRR System Replacement completed project entailed.

ISO Response

This project is the requirement phase of the replacement project, which was started and closed in 2020 (see related answer provided above for additional details). After this requirement project was completed and closed, the capital phase of the effort was approved in 2020.

Regarding the CAISO's 2021 Quarterly Financial Reports:

Please explain in detail why the "Focus on Customer Service and Other Costs" budget is exceeded by \$518,000.

ISO Response

The original forecast for the Focus on Customer Service and Other Costs category budget in the 2021 budget book was \$2M, which included 5 projects. Three of the 5 projects were approved by the CMC and total \$1,750,000. To date, there are two of the original five items that have not been brought to the CMC for review and approval; the total of those projects is \$250K. However, two new projects, as noted in a previous answer, were approved by the CMC and those projects total \$767,967. The budget less the forecasted and approved projects makes up the \$518K delta.

Referring to both quarterly financial reports posted thus far for 2021, what were the most significant (cost-wise) capital projects CAISO's Corporate Management Committee approved in Q1 2021 (\$8.3 million) and Q2 2021 (\$11.7 million)?

ISO Response

1st Quarter: \$8.3 million

- Summer 2021 Readiness/Flex Alert
- Flexible Ramping –Deliverability
- ESDER Phase 4
- Resource Adequacy Enhancement Track 1
- RC 2021 enhancements
- EMS 2021 enhancements
- Operations & Market Service Improvements
- Technology System Improvements
- Facilities Reserve annual funding

2nd Quarter: \$3.4 million

- BARR Replacement
- Additional funding on ESDER Phase 4
- Additional funding on Summer 2021
- Additional funding on RA Track 1
- Facilities Cubicle Relocations