



California ISO

2023 Budget and Grid Management Charge Process Initial Stakeholder Meeting

July 25, 2022

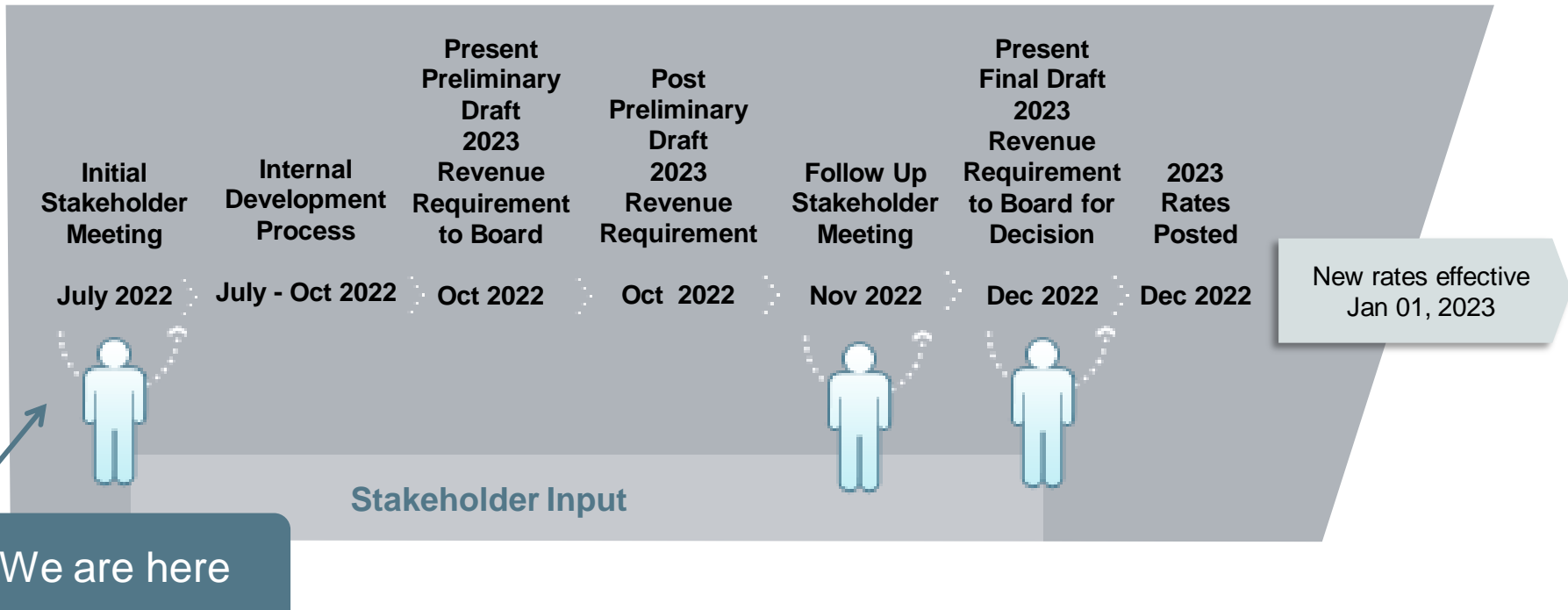
Reminders and Opening Remarks

- This call is being recorded for informational and convenience purposes only. Any related transcriptions should not be reprinted without ISO permission.
- If you need technical assistance during the meeting, please send a chat to the event producer.
- Thank you for joining us, and we look forward to an engaging discussion.

Agenda

| Topic | Presenters |
|---|-------------------|
| Welcome and Introductions | Brenda Corona |
| GMC Revenue Requirement and Rates Process | April Gordon |
| Managing Employee Compensation | Lisa Johnson |
| Project Release Plans | Ken Kasparian |
| Project Summaries | Jan Cogdill |
| Financial Summaries | Denise Walsh |
| Calendar & Next Steps | Thomas Setliff |
| Stakeholder Feedback & Discussion | Group |

2023 GMC Revenue Requirement and Rates Timeline

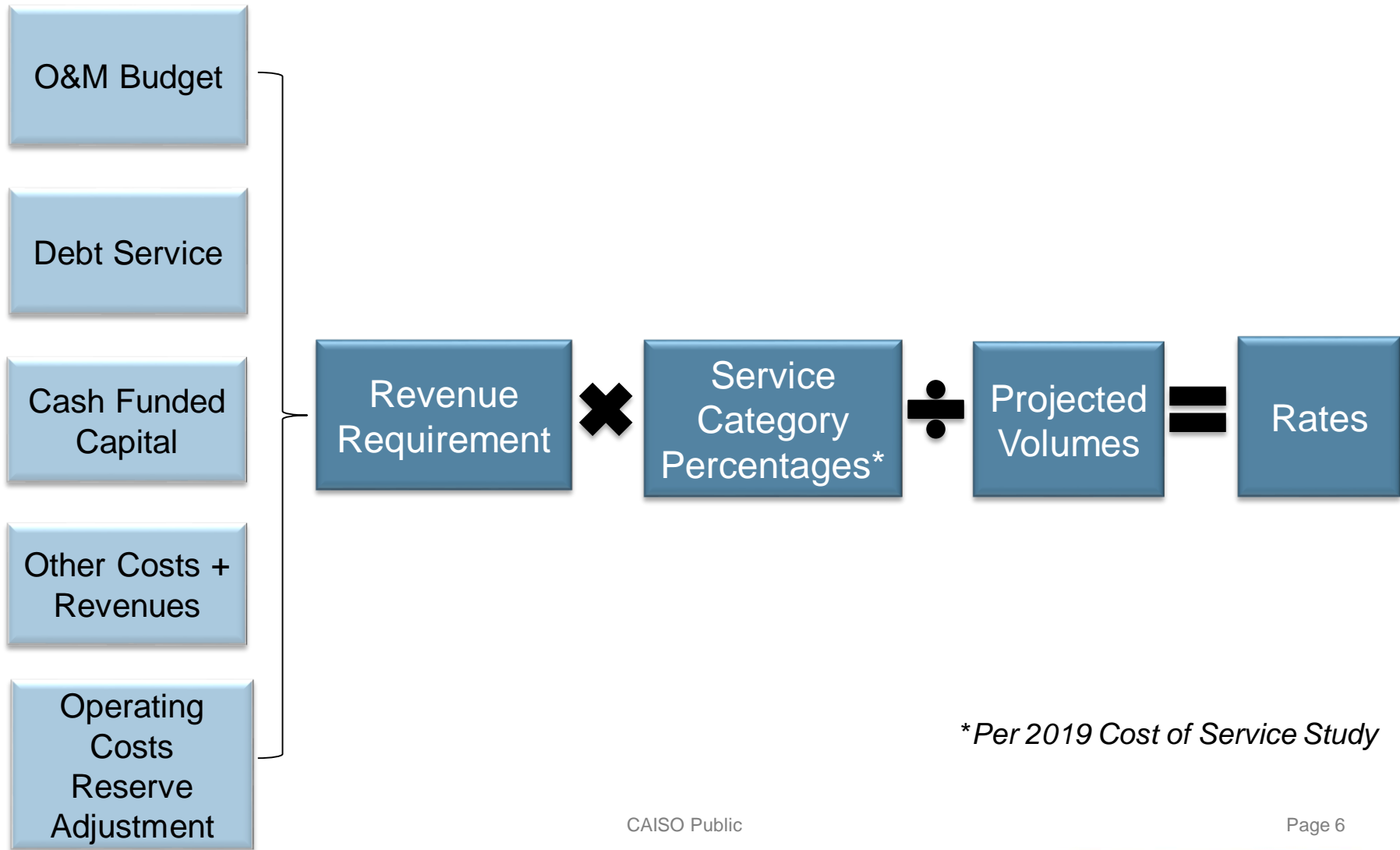


April Gordon

Director, Financial Planning and Procurement

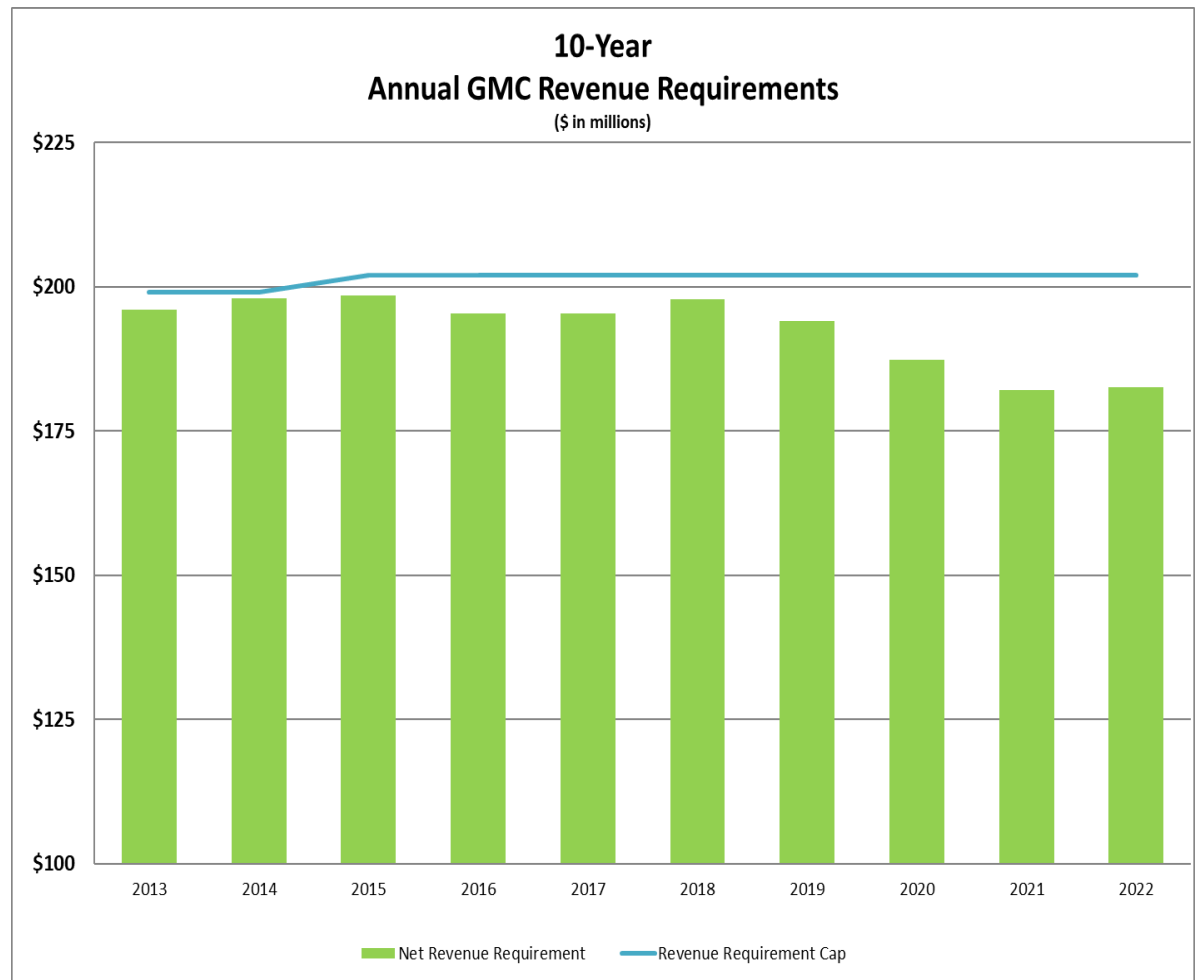
GMC REVENUE REQUIREMENT AND RATES PROCESS

GMC Revenue Requirement Components



Budgeting Principles

- Align with ISO Strategic Plan
- Maintain Fiscal Discipline
- Encourage Collaboration
- Provide Transparency
- Remain under \$202M Cap



Align Revenue Requirement with the 2022 – 2026 Strategic Plan

Our vision is to operate the world's most reliable, cost-effective and environmentally sustainable power system.

- Critical strategic and tactical objectives involve:
 1. Integration
 2. Long-term transmission planning
 3. Foundation
 4. Stakeholder engagement and customer service
 5. Highly skilled and engaged workforce

Lisa Johnson
Manager, Total Rewards

MANAGING EMPLOYEE COMPENSATION

Managing employee compensation reflects ISO philosophy to attract, train, motivate and retain top talent.

- **Competitive Pay**
 - Market pay practices
 - Bi-annual salary surveys covering 100% of ISO positions
- **Pay for Performance Philosophy**
 - High performance goals aligned to meet annual Corporate objectives
 - Board approved goals cascaded and tailored to individual employees
 - Year-end evaluation of performance results against objectives
 - Differentiation of merit dollars based on performance
- **Strong Performance Management Program**
 - Individual performance plans
 - Stretch objectives
 - Ongoing feedback, coaching and support
- **Budgeted Merit and Promotion Pool**
 - Optimal utilization of available salary dollars
 - Employee merit increases based on performance

Ken Kasparian

Sr. Manager, Strategic Initiative Business Analysis

PROJECT RELEASE PLANS

Project Release Planning Engagement Opportunities

Stay Informed > Release Planning

- <http://www.caiso.com/informed/Pages/ReleasePlanning/Default.aspx>
- Information is updated and discussed regularly throughout the year
- **Plans and schedules**
 - **Release Schedule**
 - <http://www.caiso.com/Documents/ReleaseSchedule.pdf>
 - Updated monthly
 - **Implementation Milestones**
 - <http://www.caiso.com/Documents/ImplementationMilestones.xlsx>
 - Updated monthly
 - Multi-year time horizon

Project Release Planning Engagement Opportunities

Stay Informed > Meetings and events

> User groups and recurring meetings

- <http://www.caiso.com/informed/Pages/MeetingsEvents/UserGroupsRecurringMeetings/Default.aspx>
- **Market Performance and Planning Forum**
 - Quarterly forum that engages stakeholders in review of market performance issues and in high level dialogue on release planning, implementation and new market enhancements.
- **Release Users Group**
 - Biweekly forum for market initiatives to discuss project milestones and deliverables. Projects are managed through the Master Stakeholder Engagement Plan and follow a standard project lifecycle. Major releases occur twice a year with monthly releases for smaller enhancements.

Strategic Plan Updates

- The capital planning ranking criteria/scoring have been updated to align with the new strategic objectives
- The CAISO team is working to update the strategic initiatives for tracking to the new strategic objectives
- These updates will be completed during the internal development process (July-October) and available for the follow up stakeholder meeting in November

2022 Release Plan

Fall 2022 Release

- Flexible Ramping Product Refinements – Deliverability
- Hybrid Resources Phase 2B
- Reliability Demand Response Resource Bidding Enhancements 2
- Central Procurement Entity Implementation

2022 Independent

- Interconnection Process Enhancements Phase 1
- Operations Systems Improvements Enhancements
- WEIM Enhancements: Shared Ramping Constraint
- WEIM Enhancements: Energy Transfer System Resource User Interface
- Capacity Procurement Mechanism Enhancements

2023 Release Plan

WEIM Spring 2023 Release

- WEIM 2023 – Avangrid
- WEIM 2023 – El Paso Electric
- WEIM 2023 – WAPA Desert Southwest Region

Independent / Pre-Summer – tentative, subject to impact assessment

- WEIM Resource Sufficiency Evaluation Enhancements Phase 2
- Interconnection Process Enhancements Phase 2

2023 Release Plan

Fall 2023 Release – tentative, subject to impact assessment

- Day-Ahead Market Enhancements
- Price Formation Enhancements
- Extended Day-Ahead Market
- Transmission Services & Market Scheduling Priorities Phase 2
- Resource Adequacy Enhancements Phase 2
- Maximum Import Capacity (MIC) Enhancements

Independent

- Congestion Revenue Rights (CRR) Upgrade

2024+ Release Plan

- Congestion Revenue Rights Upgrade Phase 2
- Settlements Upgrade
- Variable Energy Resources (VER) Dispatch Enhancements
- Joint Owned Unit Modeling
- Ancillary Service (AS) Deliverability / Real-Time Re-Optimization
- Frequency Response Measures
- Hybrid Resource Evolution
- Regional Transmission Planning Process
- Distributed Energy Resources (DER) / Distribution System Operator (DSO) Action Plan

Jan Cogdill
Lead Financial Planning

PROJECT SUMMARIES

Capital and Project Budgets

- **2022 Project Budget**
 - Approved at \$20M

- **2023 Project Budget**
 - Targeted at \$18M - \$20M
 - At least 75 proposed projects will be prioritized to meet final budget limit

Summary of Completed and Active Projects

- **Completed projects from July 2021 to June 2022**
 - **19 Capital Projects**
 - Budgeted costs \$7.5M, actual costs \$7.3M
 - **25 Requirements & Other Projects**
 - Budgeted costs \$2.0M, actual costs \$1.9M
- **Active projects as of June 30, 2022**
 - **35 Capital Projects**
 - Budgeted costs \$50.1M, PTD* costs \$10.4M
 - **33 Requirements & Other Projects**
 - Budgeted costs \$8.2M, PTD costs \$4.5M

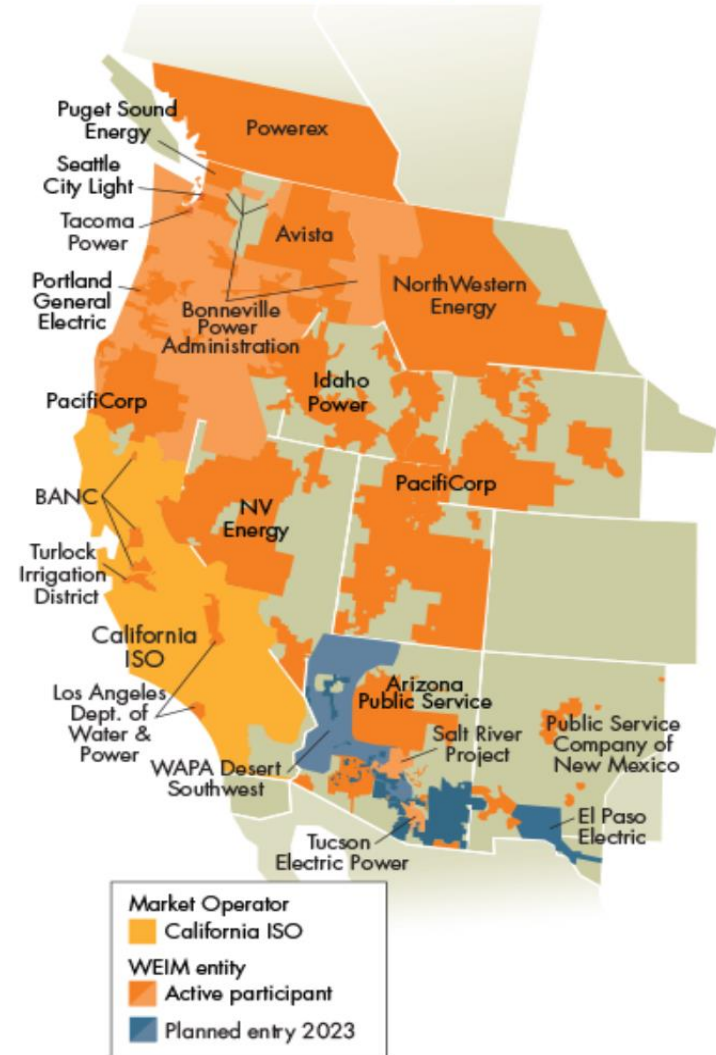
*PTD = Period to date

WEIM Implementations

Future implementations funded by the following entities:

- Avangrid
- El Paso Electric
- WAPA-DSW

Active and pending participants



Denise Walsh
Controller

FINANCIAL SUMMARIES

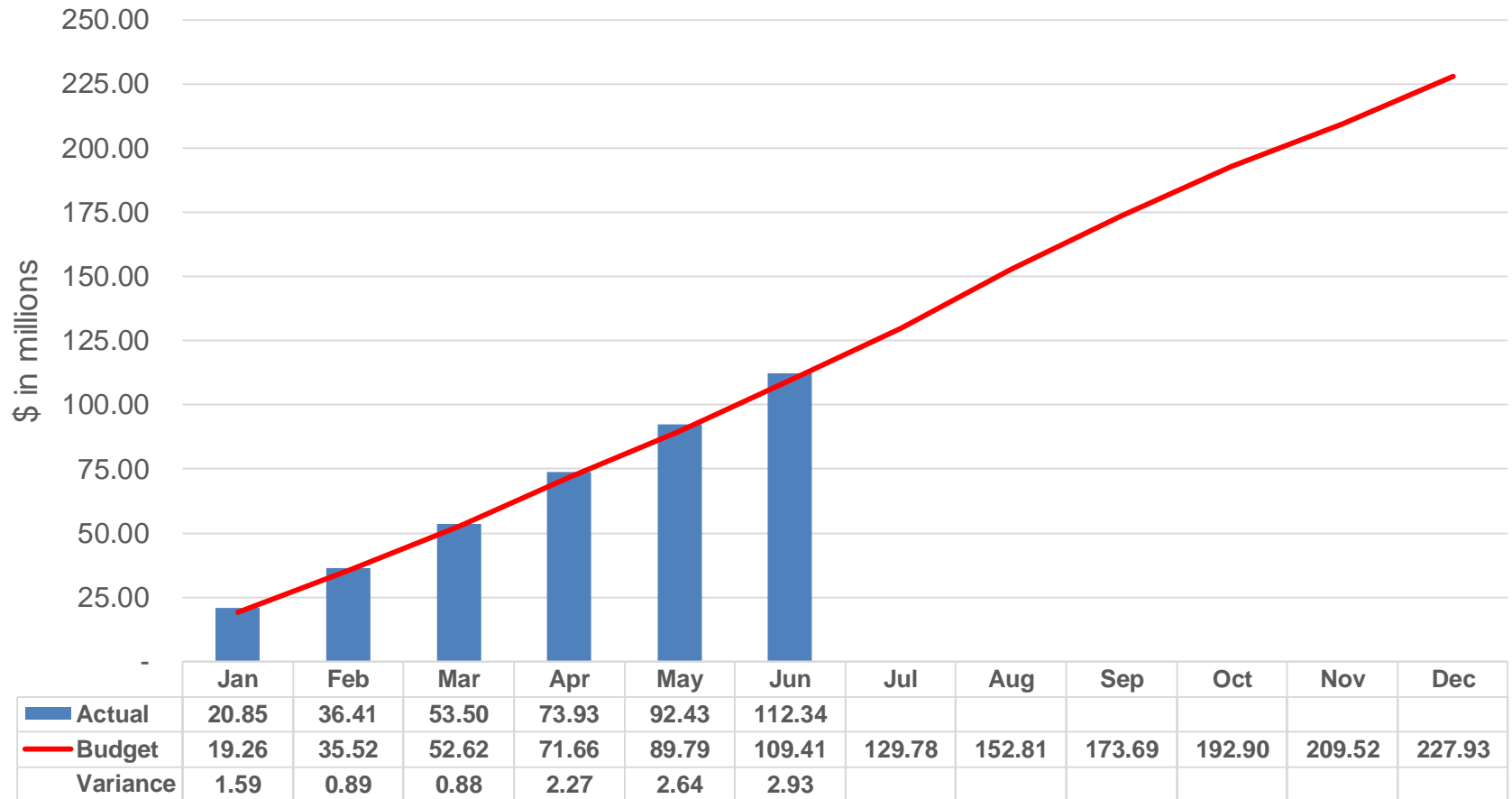
2021 Highlights

Key components of the audited 2021 financials:

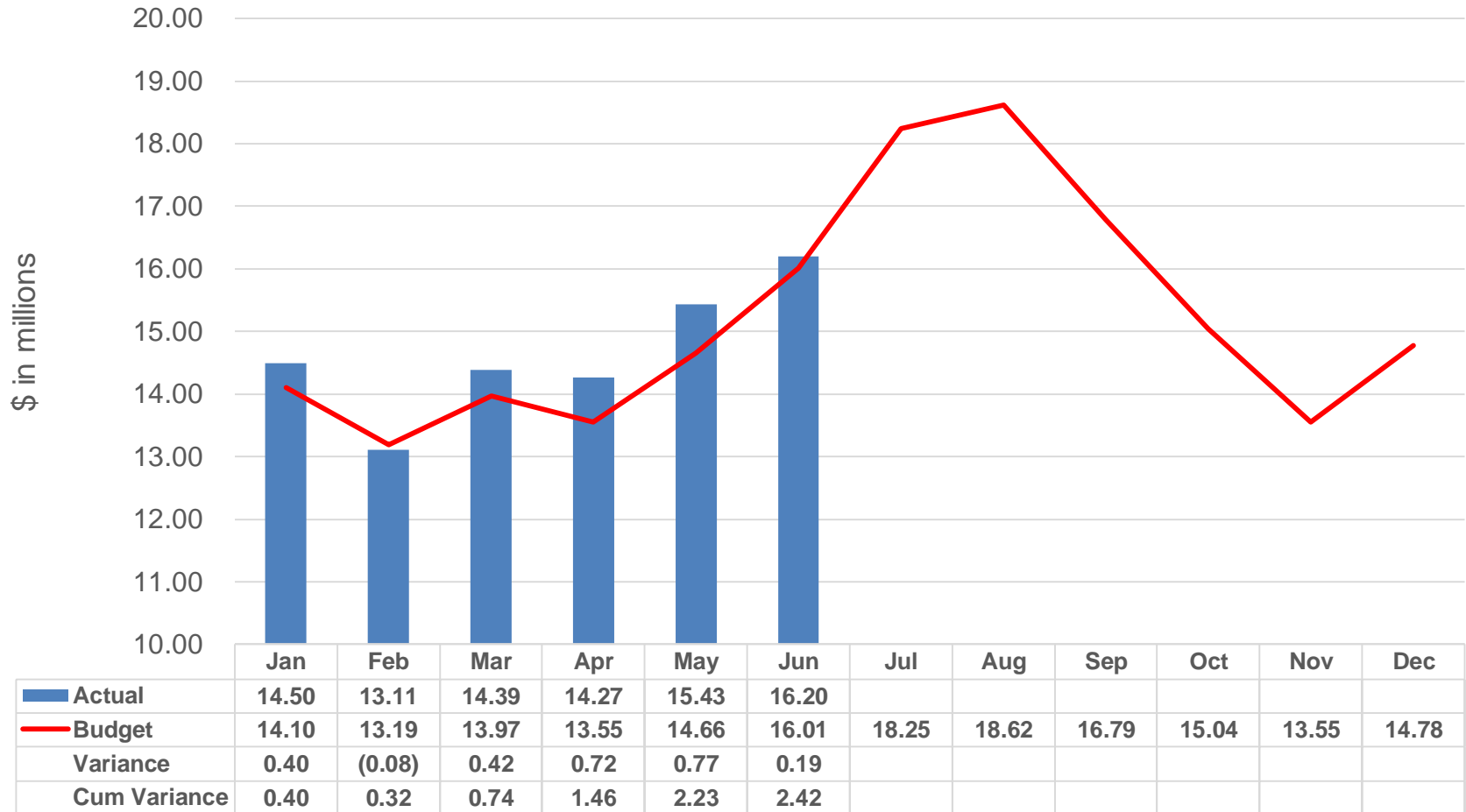
- **Operating revenues**
 - Finished the year over budget
 - Higher GMC revenues as well as higher miscellaneous revenues
 - Large generator interconnection projects (LGIP)
 - WEIM administrative charges
- **Operating expenses**
 - Finished the year under budget
 - Lower outside legal, contract staff, consultant, travel and salaries/benefits spend
 - Interest Income & Other

Thru Q2 2022 Cumulative Operating Revenues

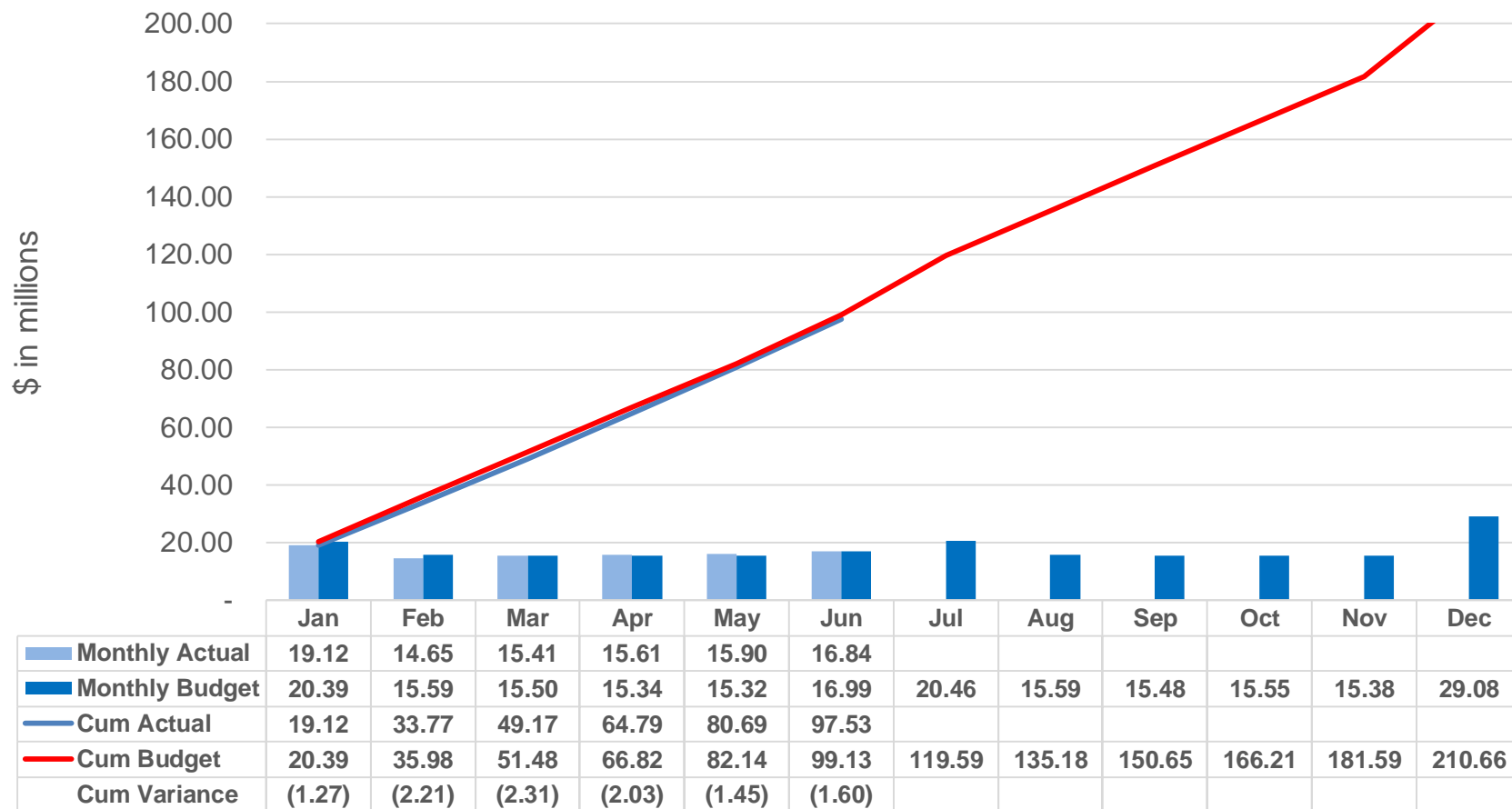
Revenues = GMC & Other Revenues



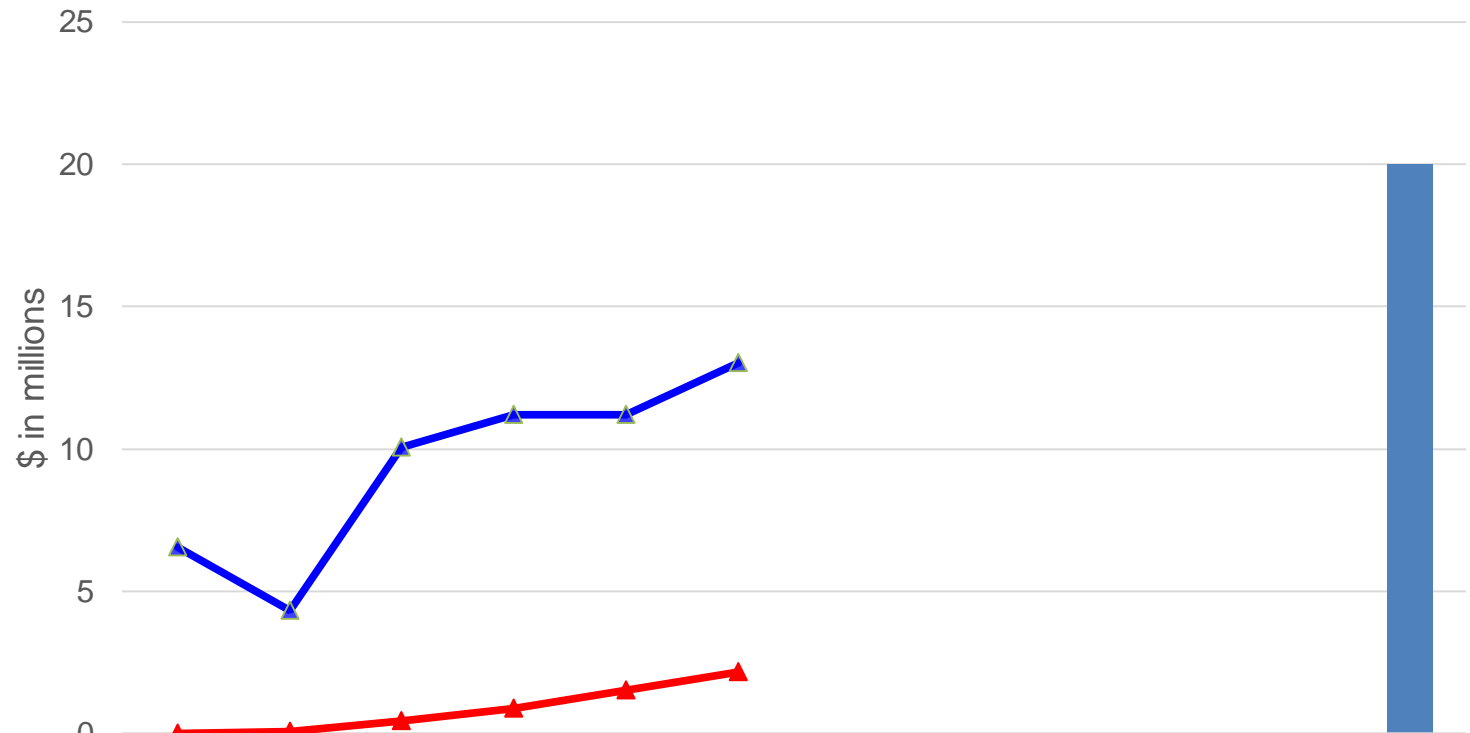
Thru Q2 2022 GMC Revenues



Thru Q2 2022 Operations and Maintenance Expenses



Thru Q2 2022 Cumulative Capital Expenditures



| | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec 20 |
|--------------------------|------|------|-------|-------|-------|-------|-----|-----|-----|-----|-----|--------|
| Budgeted Capital | | | | | | | | | | | | 20 |
| Cum Expenditures | 0 | 0.07 | 0.44 | 0.87 | 1.54 | 2.17 | | | | | | |
| Approved Projects | 6.55 | 4.32 | 10.05 | 11.19 | 11.21 | 13.03 | | | | | | |

Thomas Setliff
Lead Financial Analyst

CALENDAR AND NEXT STEPS

Key Calendar Dates* and Next Steps

- Internal development process July – Oct
- Stakeholder comments due Aug 1
 - Submit comments through the ISO’s commenting tool using the template provided on the process webpage
 - ISO responses to stakeholder comments posted Aug 8
- Board of Governors meeting (executive session) Oct 26
- Post preliminary draft Revenue Requirement Oct 28
- Stakeholder call to discuss draft Revenue Requirement Nov 2
 - Written stakeholder comments due to ISO Nov 9
 - ISO responses to stakeholder comments posted Nov 16
- Board of Governors meeting (general session) Dec 14-15
 - Public comments to board on final draft Revenue Requirement
 - Request approval of final draft Revenue Requirement
- Post Revenue Requirement and Rates to ISO website Dec 21

Next Steps

- All related information for the Budget and grid management charge process - 2023 is available at:
<https://stakeholdercenter.caiso.com/RecurringStakeholderProcesses/Budget-and-grid-management-charge-process-2023>
- Please submit stakeholder written comments on today's discussion and the storage enhancements issue paper by Aug 1, 2022 through the ISO's commenting tool
 - The commenting tool is located on the Stakeholder Initiatives landing page (click on the “commenting tool” icon):
<https://stakeholdercenter.caiso.com/StakeholderInitiatives>



- The ISO is pleased to be hosting the Stakeholder Symposium in-person at the Safe Credit Union Convention Center in downtown Sacramento on Nov. 9 – 10, 2022
- Register on the Stakeholder Symposium page at: <https://californiaiso.swoogo.com/2022StakeholderSymposium>
- Please direct questions to symposiumreg@caiso.com