

# WESTERN ENERGY IMBALANCE MARKET

## Briefing on ISO 2018 Grid Management Charge Update

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EIM Governing Body Meeting

General Session

July 13, 2017



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## 2016 ISO Cost of Service Study Overview



# What is the cost of service study?

- Tariff requirement as part of current rate structure
- Tri-annual study in which activity based costing (ABC) and the revenue requirement components are used to set forth the GMC percentages used to calculate the annual grid management charge rates

Evolution of the GMC Rates					
Triannual Cost of Service Study's New GMC Percentages	X	Annual Revenue Requirement	/	Estimated GMC Volumes	= GMC Rates

# The business processes and hours used in the study

ABC Code	Level 1 ABC Activity	Number of Level 2 Activity Tasks	Number of Non-Administrative 2016 Hours Reported
<b>Direct</b>			
80001	Develop Infrastructure	9	85,174
80002	Develop Markets	9	61,237
80004	Manage Market & Reliability Data & Modeling	17	103,931
80005	Manage Market & Grid	11	203,020
80007	Manage Operations Support & Settlements	16	91,830
80010	Support Customers & Stakeholders	8	70,178
<b>Indirect</b>			
80003	Manage Human Capabilities	8	28,137
80008	Plan & Manage Business	16	63,648
80009	Support Business Services	46	448,587
<b>Totals</b>			
9		140	1,155,742

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## 2018 ISO GMC Update



# How are the GMC percentages changing? Why?

<b>GMC</b>	<b>2013 Study</b>	<b>2016 Study</b>	<b>Amount Over / (Under) Since Last COSS</b>
Market Services	27%	32%	5%
System Operations	70%	66%	-4%
CRR Services	3%	2%	-1%

## Market Services Shift

- Primarily driven by the addition of 15-minute market and reallocation of resources to create real time market desk (24x7)

## System Operations Shift

- Primarily due to process efficiencies implemented since the last cost of service study

# What's the impact to the GMC rates?

GMC	Old Percentages	2016 Rates		2016 Rates		Increase / (Decrease) in Percentages	Increase / (Decrease) in Rates
		Using Old Percentages	New Percentages	Using New Percentages			
Market Services	27%	\$ 0.0850	32%	\$ 0.1038		5%	\$ 0.0188
System Operations	70%	\$ 0.2979	66%	\$ 0.2781		-4%	\$ (0.0198)
CRR Services	3%	\$ 0.0049	2%	\$ 0.0034		-1%	\$ (0.0015)

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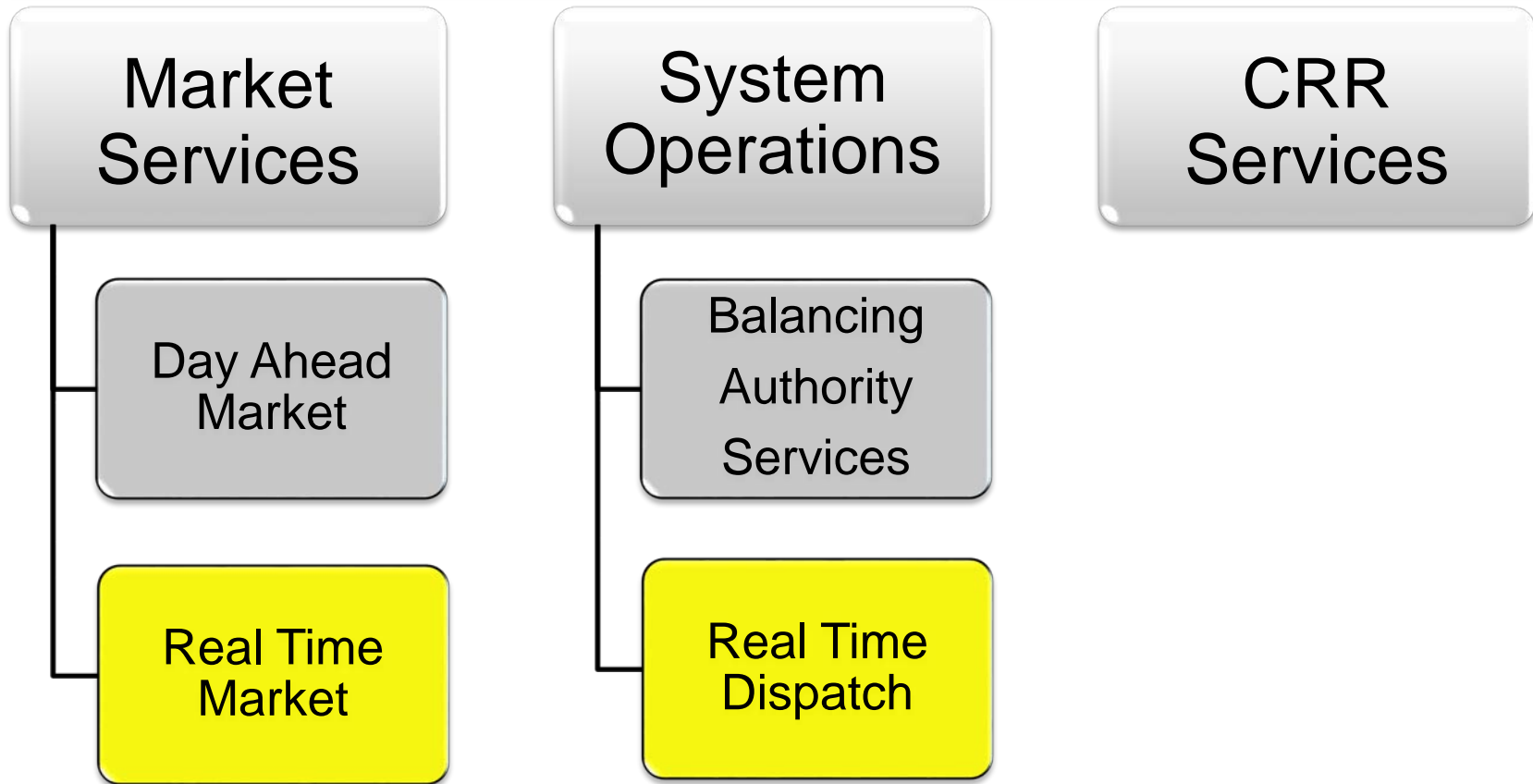
## Impacts to the EIM Fee





EIM fee uses real time portions of the GMC

# Grid Management Charges



# How are the EIM percentages changing? Why?

Cost Category	Activity	2013 Study	2016 Study	Amount Over / (Under) Since Last COSS
Market Services	Real Time Market	61%	79%	19%
	Day Ahead Markets	39%	21%	-19%
System Operations	Real Time Dispatch	45%	39%	-6%
	Balancing Authority Services	55%	61%	6%

## Market Services Shift

- Primarily driven by the addition of 15-minute market and reallocation of resources to create 24X7 real time market desk

## System Operations Shift

- Primarily due to process efficiencies implemented since the last cost of service study

# Projected impact to the EIM rate is minimal

GMC	EIM Real Time Activity	Old Percentages	2016 Rates		2016 Rates		Increase / (Decrease) in Percentages	Increase / (Decrease) in Rates
			Using Old Percentages	New Percentages	Using New Percentages	New Percentages		
Market Services	Real Time Market	61%	\$ 0.0519	79%	\$ 0.0823	19%	\$ 0.0304	
System Operations	Real Time Dispatch	45%	\$ 0.1341	39%	\$ 0.1078	-6%	\$ (0.0263)	
		Old Total	\$ 0.1860	New Total	\$ 0.1901			

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## Key Calendar Dates and Next Steps



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Key Date	Event
May 24	Stakeholder Meeting  **No findings or objections addressed**
July 13	Present 2018 GMC update to EIM Governing Body
July 26 - 27	Present 2018 GMC update to Board of Governors
August	Amend Tariff
September	File amended Tariff with FERC
December	2018 Revenue Requirement presented to Board of Governors for approval
January 1	New percentages go into effect
*Dates are subject to change	