

WESTERN ENERGY IMBALANCE MARKET

Briefing on ISO rate adjustments

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GMC and EIM rates were increased on August 1.

- Mild weather in first half of year led to lower than forecasted volumes in grid management charges
- EIM rates are derived from GMC rates

Charge Code	New Rate per MWh	Difference
GMC – Market Services	\$0.1100	+ \$0.0044
GMC – System Operations	\$0.2964	+ \$0.0150
EIM – Market Services	\$0.0869	+ \$0.0059
EIM – System Operations	\$0.1156	+ \$0.0035

The development of the annual revenue requirement determines the numerator in the rate equation.

Revenue Requirement Component (\$ in millions)	2018 Budget
Operations & Maintenance Budget	\$178.5
Debt Service (including 25% reserve)	16.9
Cash Funded Capital	22.0
Other Costs and Revenues	(16.7)
Operating Costs Reserve Adjustment	(3.5)
Total Revenue Requirement	\$197.2

Revenue requirement is allocated to the three service categories by the cost of service study percentages.

Grid Management Charge	Revenue Requirement %
Market Services	32%
System Operations	66%
CRR Services	2%

The revenue requirement allocation is then divided by forecasted volumes for each service category.

Grid Management Charge	Revenue Requirement Allocation (in millions)	Forecasted Volumes (in millions MWh)	2018 Rate Per MWh
Market Services	\$63.3	539.5	\$0.1056
System Operations	\$129.6	458.4	\$0.2814
CRR Services	\$4.3	869.5	\$0.0038

The EIM Administrative Charge is set at the percentages defined in the cost of service study.

Grid Management Charge	EIM Portion	2018 EIM Rate Per MWh
Market Services	79%	\$0.0834
System Operations	39%	\$0.1097

Tariff requires adjustment of rates if actual revenue plus remaining forecast exceeds tolerance levels.

- Appendix F, Schedule 1, Part B
- Difference must be the greater of 2% or \$1 million
- Applies to each service category independently
- No more than once per calendar quarter

In summary, the ISO adjusts rates infrequently and only to correct volume forecast variances.

- No adjustment for expense variances
- Ensures ISO can collect budgeted revenue
- Lessens the impact of large adjustments on future revenue requirements
 - Over- or under-collections ultimately flow through the operating cost reserve adjustment in future years