



California ISO

# Decision on 2026 budget

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Board of Governors meeting  
General Session  
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**Summary:** Several rates are expected to decrease, driven by higher EDAM volumes, even as the O&M budget rises to support EDAM operations and projects are funded through existing reserves rather than new capital.

Revenue Requirement (\$ in millions)	2026 Budget	2025 Budget	Change
Operations & Maintenance Budget	\$290.3	\$276.0	\$14.3
Debt Service (including 25% reserve)	14.7	14.7	0.0
Cash-Funded Capital	-	25.0	(25.0)
Other Costs and Revenues	(51.2)	(68.6)	17.4
Operating Cost Reserve Adjustment	(3.9)	(8.6)	4.7
<b>Total Revenue Requirement</b>	<b>\$249.9</b>	<b>\$238.5</b>	<b>\$11.4</b>

# 2026 Highlights

- **O&M Budget:** Increases by \$14.3 million to \$290.3 million, primarily driven by new EDAM-supporting positions, higher software as a service costs, higher telecommunication costs and licensing model changes for hardware support.
- **Capital Funding:** No cash-funded capital is requested for 2026; the \$26 million project budget will be funded through existing reserves to maintain fiscal balance.
- **Other Revenues:** Decrease reflects EDAM rate design changes.
- **Operating Cost Reserve Adjustment:** \$4.7 million lower than 2025, reflecting optimized 2024 spending and effective cost management.
- **Rates Outlook:** Market services, system operations real-time dispatch, and WEIM rates are projected to decrease in 2026 due to higher day-ahead volumes from EDAM launch, despite revenue requirement growth and EDAM-related revenue shifts.

**O&M Budget:** Proposed O&M budget increase of \$14.3 million primarily driven by additional EDAM positions, software as a service growth, telecommunication growth, and licensing model changes for hardware support.

<b>O&amp;M Budget by Resource (\$ in millions)</b>	<b>2026 Budget</b>	<b>2025 Budget</b>	<b>Change</b>
Salaries & Benefits	\$214.2	\$205.5	\$8.7
Occupancy Costs & Equipment Leases	3.8	3.7	0.1
Telecom, HW/SW Maintenance Costs	19.1	17.9	1.2
Consultants & Contract Staff	20.5	20.4	0.1
Outsourced Contracts & Professional Fees	22.3	18.7	3.6
Training, Travel, & Other Costs	10.4	9.8	0.6
<b>Total</b>	<b>\$290.3</b>	<b>\$276.0</b>	<b>\$14.3</b>
Budgeted Headcount	790	777	13

## Debt Service: Annual \$14.7 million requirement continues.

- \$130.3 million principal remaining to be collected as part of the revenue requirements
- \$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: Project budget will be supported through existing capital reserves to maintain fiscal balance.

- Revenue requirement will not include a request for cash-funded capital. Instead, the project budget will be supported by existing capital reserves.
- Project budget will be \$26 million.
- Focus areas:
  - Portfolio 1: Reliability and Efficient Operations
  - Portfolio 2: Technology Foundation Improvements
  - Portfolio 3: Transmission Planning- Infrastructure
  - Portfolio 4: Market and Resource Adequacy
  - Portfolio 5: Stakeholder Engagement and Customer Service
  - Portfolio 6: People and Culture
  - Portfolio 7: Facilities and Other projects

**Other Costs and Revenues:** Revenue decrease reflects EDAM rate design changes and the phase-out of nodal pricing model revenue with PacifiCorp's 2026 EDAM entry.

<b>Other Costs and (Revenue) (\$ in millions)</b>	<b>2026 Budget</b>	<b>2025 Budget</b>	<b>Change</b>
Reliability Coordinator Funding Requirement	(\$21.7)	(\$20.7)	(\$1.0)
Interest Earnings	(7.7)	(8.0)	0.3
Intermittent Resource (wind and solar) Forecasting Fees	(7.0)	(6.5)	(0.5)
Western Energy Imbalance Market Administrative Charges	(5.3)	(18.4)	13.1
Generation Interconnection Project Fees	(3.6)	(3.0)	(0.6)
Nodal Pricing Model Fee	(3.1)	(9.2)	6.1
Other Revenue	(2.8)	(2.8)	-
<b>Total Other Costs and (Revenue)</b>	<b>(\$51.2)</b>	<b>(\$68.6)</b>	<b>\$17.4</b>

# Operating Cost Reserve Adjustment: Favorable 2024 results reduce 2026 revenue requirement by \$3.9M.

Operating Cost Reserve Adjustment (\$ in millions)	2026 Budget	2025 Budget	Change
Change in the 15% reserve for O&M Budget	\$2.1	\$3.0	(\$0.9)
25% Debt Service collection from prior year	(2.9)	(2.9)	0.0
True-up of budget to actual revenues and expenses	(3.1)	(8.7)	5.6
<b>Total Operating Cost Reserve Debit / (Credit)</b>	<b>(\$3.9)</b>	<b>(\$8.6)</b>	<b>\$4.7</b>

Change in 15% Operating Reserve (\$ in millions)	2026 Budget	2025 Budget	Change
O&M Budget	\$290.3	\$276.0	\$14.3
Operating Reserve percentage	15%		
<b>Total Operating Reserve</b>	<b>\$43.5</b>	<b>\$41.4</b>	<b>\$2.1</b>



**Rates:** Market Services, System Operations Real-Time Dispatch, and WEIM rates are projected to decrease in 2026 due to higher day-ahead volumes from EDAM launch.

Summary of Rates (\$ per MWh)	2026 Rate	2025 Rate	Change
<b>Grid Management Charges</b>			
Market Service Charge	\$0.1416	\$0.1615	(\$0.0199)
System Operations Balancing Authority Area Services Charge	\$0.1356	\$0.1269	\$0.0087
System Operations Real-Time Dispatch Charge	\$0.0901	\$0.1122	(\$0.0221)
CRR Services Charge	\$0.0109	\$0.0079	\$0.0030
<b>Supplemental Services Rates</b>			
WEIM Market Service	\$0.0913	\$0.1042	(\$0.0129)
WEIM System Operations	\$0.0901	\$0.1004	(\$0.0103)
RC Service Rate	\$0.0325	\$0.0320	\$0.0005

Effective December 31, 2025, at 11:59 p.m., the System Operations Charge (code 4561) will be retired. Beginning January 1, 2026, two new charges—System Operations Balancing Authority Area Services (code 4566) and System Operations Real-Time Dispatch (code 4567)—will take effect.

To facilitate consistent year-over-year analysis, the 2025 Systems Operations category was bifurcated into Balancing Authority Area Services and Real-Time Dispatch for alignment with 2026 reporting.

# Key Calendar Dates\*

Events to Date	Date
Initial stakeholder meeting	July 21
Internal budgeting process	July – October
Draft 2026 Budget and Grid Management Charges posted to public website	October 30
Draft budget reviewed by Board of Governors	October 30
Follow up stakeholder meeting	November 5
Internal budgeting process	November – December

  

Upcoming Events	Date
Board decision on 2026 Budget and Grid Management Charges	December 18
2026 Rates and revenue requirement documentation posted to ISO website	December 22