

Balancing Authority of Northern California

**Regular Meeting of the
Commissioners of BANC**

2:00 P.M.

Wednesday, March 24, 2021
Telephonic Meeting Only

Balancing Authority of Northern California

NOTICE OF REGULAR MEETING AND AGENDA

Notice is hereby given that a regular meeting of the Commissioners of the Balancing Authority of Northern California (BANC) will be held on **March 24, 2021 at 2:00 p.m. The meeting will be telephonic only.**

The following information is being provided as the forum by which members of the public may observe the meeting and offer public comment:

Phone number: 1-408-418-9388
Meeting number (access code): 182 133 1900
WebEx Meeting Link:

<https://braunblaisingsmithwynne.my.webex.com/braunblaisingsmithwynne.my/j.php?MTID=md0d04beb952e1b1483caded3857c5612>

AGENDA

- 1 Call to Order.**
- 2 Matters subsequent to posting the Agenda.**
- 3 Public Comment** – any member of the public may address the Commissioners concerning any matter on the agenda.
- 4 Consent Agenda.**
 - A. Minutes of the Regular Commission Meeting held on January 27, 2021.
 - B. BANC Operator Report (February).
 - C. Compliance Officer Report (March).
 - D. PC Committee Chair Report (March).
 - E. General Manager's Report and Strategic Initiatives Update.
- 5 Regular Agenda Items – Discussion and Possible Action.**
 - A. General Manager Updates
 - i. EIM Update.
 1. Consider and Possibly Approve Resolution 21-03-15 *Approval of BANC Internal Risk Management Policy.*
 - ii. EDAM and CAISO Summer Enhancements Updates.
 - iii. BANC Summer Assessment.
 - iv. 2021 BANC Strategic Planning Meeting.
 - B. Consider and Possibly Accept BANC 2020 Audited Financials.
 - C. Consider and Possibly Approve Resolution 20-03-16 *Accepting and Adopting the BANC Member Participation Percentages for 2021.*
- 6 Closed Session:** Conference with legal counsel in anticipation of litigation pursuant to Cal. Gov't Code § 54956.9; one matter.
- 7 Adjournment.**

Accessible Public Meetings - Upon request, BANC will provide written agenda materials in appropriate alternative formats, or disability-related modification or accommodation, including auxiliary aids or services, to enable individuals with disabilities to participate in public meetings. Please send a written request, including your name, mailing address, phone number and brief description of the requested materials and preferred alternative format or auxiliary aid or service at least 3 days before the meeting. Requests should be sent to: Kris Kirkegaard, 555 Capitol Mall, Suite 570, Sacramento, CA 95814 or to kirkegaard@braunlegal.com.

Balancing Authority of Northern California

Consent Agenda Items

- A. Minutes of the February 24, 2021 BANC Regular Meeting.**
- B. BANC Operator Report (February).**
- C. Compliance Officer Report (March).**
- D. PC Committee Chair Report (March).**
- E. General Manager's Report and Strategic Initiatives Update.**

**MINUTES OF THE REGULAR MEETING OF THE COMMISSIONERS OF THE
BALANCING AUTHORITY OF NORTHERN CALIFORNIA (BANC)**

February 24, 2021

On this date, a Regular Meeting of the Commissioners of the Balancing Authority of Northern California (BANC) was held telephonically.

Representatives Present:

Member Agency	Commissioner
Modesto Irrigation District (MID)	James McFall
City of Redding	Dan Beans, Chair
City of Roseville	Michelle Bertolino
Sacramento Municipal Utility District (SMUD)	Laura Lewis, Alternate
City of Shasta Lake	Absent
Trinity Public Utilities District (TPUD)	Paul Hauser

Agency	Liaison(s)
Western Area Power Administration (WAPA)	Sonja Anderson Jeanne Haas Brian Griess

1. Call to Order: Mr. Jim Shetler reviewed attendance and confirmed that a quorum was present. Chair Beans called the meeting to order at 2:00 p.m.
2. Matters Subsequent to Posting the Agenda: None.
3. Public Comment: Chair Beans invited comments from the public and none were given.
4. Consent Agenda: Commissioner Bertolino moved, Commissioner McFall seconded, and the participating Commissioners unanimously approved the Consent Agenda items comprised of: (A) Minutes of the Regular Commission Meeting held on January 27, 2021; (B) BANC Operator Report for January; (C) Compliance Officer Report for February; (D) PC Committee Chair Report for February; and (E) General Manager's Report and Strategic Initiatives Update.
5. Regular Agenda Items – Discussion and Possible Action:
 - A. Mr. Shetler provided an EIM update, reporting that operations were generally normal with no major issues other than heatwave impacts. The CAISO fourth quarter 2020 Benefits Analysis showed BANC/SMUD with a \$5.42 million benefit. CAISO will be conducting Summer Readiness Stakeholder workshops on EIM RS Test Improvements, CAISO Export Priorities, Wheel-throughs, and System Market Power Mitigation. EIM Phase 2 go-live is March 25th; all major activities are on track. As of February 23rd, EIM Readiness Certification was filed at FERC.

MINUTES OF THE REGULAR MEETING OF THE COMMISSIONERS OF THE
BALANCING AUTHORITY OF NORTHERN CALIFORNIA (BANC)

Mr. Shetler provided an overview of the updated BANC/SMUD EIM Services Agreement, which incorporates Phase 2 services that will be provided by SMUD, including, but not limited to, settlements support software and special services for certain members related to that software. The 2021 budget appropriately reflects the dollars included in this agreement, and the EIM Committee has reviewed the agreement. Commissioner McFall moved, Commissioner Bertolino seconded, and a roll call vote was taken. All participating Commissioners voted unanimously in favor of Resolution 21-02-15 *Authorization to Execute First Amended and Restated EIM Services Agreement between BANC and SMUD.*

Mr. Shetler discussed the revised EIM Phase 2 proposal for assignment of participant Unsecured Credit. After discussions with CAISO, it was agreed that BANC member participants would be allowed to assign their share of BANC collateral requirements from their excess Unsecured Credit with CAISO. Because WAPA is not a BANC member and due to other unique organizational attributes, additional conversations are required between WAPA, BANC, and CAISO on this subject before determining a path forward for WAPA. The preference of BANC and CAISO is that the collateral assignment arrangement initially apply to only one BANC member participant, so SMUD has volunteered. Commissioner Bertolino offered her thanks to SMUD for doing so. Mr. Shetler stated that the initial assignment of excess Unsecured Credit from SMUD to BANC would be in the amount of \$5 million. BANC will coordinate with CAISO and the other BANC member participants to move toward assigning their proportionate share by June 1st. Mr. Shetler then shared the tentative plan to move the current \$1 million BANC has in collateral funding to the newly-created BANC Reserve Fund and evaluate over the next year whether those funds could be returned to the participating members.

These initial plans have been memorialized in the resolution, but a longer-term approach may result in amendments to other existing BANC agreements or other mechanisms to allow for the expanded participation of other EIM Participants by summer of 2021. Mr. Shetler introduced the Resolution 21-02-16 and stated that BANC had concurrence from the EIM Committee on this approach. Chair Beans asked if there were any questions from the Commission, and Ms. Anderson asked for clarification on the \$1 million collateral funding. Mr. Shetler responded that Unsecured Credit was not an option available to BANC in Phase 1, so the \$1 million was the collateral funding initially provided by BANC to CAISO for Phase 1, and as Phase 2 was being set up, a portion of that \$1 million was requested from Phase 2 participants. Now that the Unsecured Credit option has become available, it should be determined whether those monies can be returned to Phase 2 participants, and that determination will be made over the coming year. Mr. Shetler committed to working offline with Ms. Anderson on how the approach will apply to WAPA. Commissioner Mc Fall asked about the June 1 date in the resolution vs. the April 1 date for determination of participation; is April 1 a target date? Mr. Shetler responded that it was, and Mr. Smith noted that, in speaking with SMUD Treasury, the intent was to have a goal for each member participant to determine what they had available in terms of Unsecured Credit. It is most likely that if any additional Unsecured Credit is required, it would be during the summer months. Commissioner Lau moved, Commissioner McFall seconded, and a roll call vote was taken. All participating Commissioners voted unanimously in favor of Resolution 21-02-16 *Authorization of BANC EIM Phase 2 Collateral Approach.*

**MINUTES OF THE REGULAR MEETING OF THE COMMISSIONERS OF THE
BALANCING AUTHORITY OF NORTHERN CALIFORNIA (BANC)**

Mr. Shetler noted, related to EIM, that BANC Risk Policies would be brought forth to the Commission at the March meeting, wrapping up all outstanding requirements related to EIM Phase 2.

Mr. Shetler thanked all BANC members for their data submittals related to the 2021 Summer Assessment. This is likely the most extensive set of information ever requested from members and the most extensive analysis completed to-date for a summer assessment. Analysis is still underway, but the *preliminary* base case summary at the BA level appears to indicate sufficient resources to meet load; however, without non-firm imports secured, the 1:10 forecast sensitivity appears 'marginal.' Several Commissioners raised questions regarding issues such as the dependability of non-firm imports and MW quantities. BANC and Mr. Willis committed to come back with an update to address those issues at the next Commission meeting.

6. Closed Session: The Commission retired to closed session at 2:44 p.m. for conference with legal counsel in anticipation of litigation pursuant to subdivision (c) of Cal. Gov't Code § 54956.9; one matter.

The Commission adjourned from closed session at 3:28 p.m., where no formal action was taken.

Minutes approved on March 24, 2021.

C. Anthony Braun, Secretary



BALANCING AUTHORITY OF NORTHERN CALIFORNIA

P.O. BOX 15830 • D109 • SACRAMENTO • CA 95852 -1830

TO: BANC Commission

RE: BANC Operator Report for February 2021

Operations:

- BA Operations: Normal
- Significant BA Issues: None
- NWPP Reserve Energy Activations
 - 0 contingency requiring activation of NWPP
 - 0 MW average generation lost
 - 0 MW maximum generation lost
 - Generating unit(s) and date(s) affected: N/A
 - All recoveries within 0 minutes
- USF
 - 9 of 28 days with instances of USF mitigation procedure utilized
 - 2 days on Path 66
 - No operational impact on BANC
- BAAL Operation:
 - Maximum duration of BAAL exceedance: 11 Minutes
 - *6-min 2/9/21 – SMUD PSO ramping up internal generation to increase reg down reserve*
 - *11-min 2/10/21 – Slower generation response following 250 MW steep SMUD EIM ramp*
 - Number of BAAL exceedance >10 minutes: 1
 - BAAL violation (BAAL exceedance >30 minutes): None
- Frequency Response (FR) Performance – Quarterly Metric:
 - 2020 Frequency Response Obligation (FRO): -14.6 MW/0.1 Hz
 - 2020 Q4 Frequency Response Measure (FRM): -103.0 MW/0.1 Hz
 - 2020 Q4 Number of Under-Performed Events: 0 out of 8
 - 2020 Q1~Q4 Frequency Response Measure (FRM): -66.5 MW/0.1 Hz (*BANC met BAL-003-1.1 R1 for 2020*)
 - 2020 Q1~Q4 Number of Under-Performed Events: 1 out of 20
 - 2021 Frequency Response Obligation (FRO): -15.5 MW/0.1 Hz

Monthly Notes:

- No additional notes or impacts for February 2021

A JOINT POWERS AUTHORITY AMONG

Modesto Irrigation District, City of Redding, City of Roseville, Trinity Public Utilities District,

7
City of Shasta Lake, and Sacramento Municipal Utility District

Compliance Officer Report

BANC Commission Meeting

March 2021

The following summarizes routine issues for the Commission's information and consideration. Any major issues or action items will be identified separately on the Commission agenda for action.

BA Compliance Issues:

- No significant operational Balancing Authority compliance events occurred.
- All required BA compliance reports and operating data were submitted to WECC.
- Staff has completed its review of all BA/PC-applicable NERC Standard requirements as part of the annual compliance self-certification submittal project.

BANC MCRC:

- The next BANC MCRC meeting is scheduled to be held at 10:00 AM on Monday, April 22nd via webinar.

PC Committee Chair Report

BANC Commission Meeting

March 2021

The following summarizes Planning Coordinator-related issues for the Commission's information and consideration. Any major issues or action items will be identified separately on the Commission agenda for action.

BANC PC Committee Issues:

SMUD staff continue to work toward demonstrating compliance with PC-related NERC reliability standards.

- FAC-002-2 Interconnection Studies – There are three materially modifying transmission facilities projects in the BANC area in 2021 with updated in-service dates at the end of 2021 or in spring of 2022.
- MOD-031-2 Demand and Energy Data – 2021 Loads and Resources Data Request Part 2 has been completed and was uploaded to WECC on March 5th.
- MOD-033-1 Steady-State and Dynamic System Model Validation – The system event for the dynamic model validation portion of MOD-033-1 has been narrowed down to a select few events from which to be selected. Requests for real time data will be sent out to PC participants upon selection of the event.
- TPL-001-4 - Transmission System Planning Performance – Data and contingency requests for the BANC TPL base case series have been sent out to PC participants with a return deadline of March 19th.

The table below shows the current status of all PC-related standards:

	PC Standard	Estimated % Complete	Notes
1	FAC-002-2 Interconnection Studies	75%	There are 3 materially modifying transmission facilities projects at the BANC area in with updated in service dates of end of 2021 or Spring 2022.
2	FAC-010-3 SOL Methodology for Planning Horizon	100%	The finalized version was sent to external stakeholders and BANC PC Participants on 12/28/2020.
3	FAC-014-2 Establish and Communicate SOLs	0%	Study Plan is scheduled to be sent out by May.
4	IRO-017-1 Outage Coordination	0%	Will send out the annual assessment report to neighboring RCs upon completion of the report.
5	MOD-031-2 Demand and Energy Data	100%	2021 Loads and Resources Data Request Part 2 has completed and uploaded to WECC on 03/05/2021.
6	MOD-032-1 Data for Power System Modeling & Analysis		Ongoing activity.
7	MOD-033-1 System Model Validation	20%	Selection of system event to use for the dynamic model validation portion is underway and data requests will be sent out upon event selection.
8	PRC-006-3 Underfrequency Load Shedding	0%	Expect the annual data request within the next couple of months.
9	PRC-010-2 Undervoltage Load Shedding	100%	Study has been completed. The report was finalized on 12/30/2019.
10	PRC-012-2 Remedial Action Schemes	80%	New Standard to be effective on 1/1/2021. Study Plan finalized on 4/10/2020. Working on performing studies for each RAS scheme.
11	PRC-023-4 Transmission Relay Loadability	0%	Study Plan is scheduled to be sent out in March.
12	PRC-026-1 Relay Performance During Stable Power Swings	0%	Study Plan is scheduled to be sent out by April.

	PC Standard	Estimated % Complete	Notes
13	TPL-001-4 Transmission System Planning Performance	10%	The data and contingency requests for the TPL base case series have been sent out to PC participants with a deadline of 3/19/2021.
14	TPL-007-4 R1 GMD	90%	Registered the SMUD/BANC PC GIC monitoring device at Carmichael with NERC – compliance requirement. Made request to the GIC manufacturer to increase sampling rate from the default once every hour to once every 10s or faster per NERC recommendation

GM Report

BANC Commission Meeting

March 24, 2021

I wanted to summarize routine issues for the Commission's information and consideration. Any major issues or action items will be identified separately on the Commission agenda for action.

Outreach Efforts:

Refer to GM outreach report provided under separate distribution. In addition, here are some other noteworthy items:

LADWP/Seattle City Light/SRP

Dialogue continues with these entities regarding EIM participation. Based upon the group's discussions, we have agreed to continue to interact on an informal basis to make sure we are aligned on EIM issues from a POU perspective. We are routinely holding bi-weekly calls to provide updates and discuss issues. To date, we have collaborated with the other POUs on joint language to use in the EIM Entity agreement, on how to address market-based rate authority with DMM, potential common language for OATT revisions, and joint comments on the EIM governance issues. We have also used this forum to discuss POU positions regarding the EDAM development. Both LADWP and BANC – Phase 2 are on track for go-live 2021, with LADWP and one other entities on 4/1/21 (Northwestern has delayed go-live until June 2021) and BANC – Phase 2 and TID on 3/25/21. We have also been using this forum to discuss potential 2020 heat wave impacts on EIM and EDAM design.

POU Western Markets Initiative

BANC continues to participate in this effort, which is being coordinated by APPA. The group will be stepping back and will take on a less formal role with occasional update conference calls. The group also filed joint comments in general support for the EIM Governance Review Committee straw proposal on EIM/EDAM improvements.

Coronavirus Restrictions

With the increased restrictions on public gatherings and travel, BANC has moved to remote meeting attendance, both for our own internal member meetings, as well as outside meetings, for the foreseeable future. We will maintain this approach until public health authorities advise the restrictions can be relaxed. In addition, the BANC BA Operator (SMUD) has instituted measures to reduce coronavirus risks,

including stay at home for most employees with only essential staff working at the offices.

August and Labor Day Weekend Heat Wave

The Joint Agencies (CPUC, CEC, and CAISO) issued their initial root cause report from the August 2020 heat wave incidents in late September. Their conclusion is that there was no single root cause for the rotating outages, but rather several contributing factors, including:

1. The climate change-induced extreme heat storm across the western U.S. resulted in the demand for electricity exceeding the existing electricity resource planning targets. The existing resource planning processes are not designed to fully address an extreme heat storm like the one experienced in mid-August.
2. In transitioning to a reliable, clean and affordable resource mix, resource planning targets have not kept pace to lead to sufficient resources that can be relied upon to meet demand in the early evening hours. This makes balancing demand and supply more challenging. These challenges were amplified by the extreme heat storm.
3. Some practices in the day-ahead energy market exacerbated the supply challenges under highly stressed conditions.

There is also a recommendation that the agencies conduct a state-wide summer assessment on resource adequacy for 2021. It is not clear how this will impact the POUs in California. Staff has reached out to the other POU BAs and the CAISO on how we should proceed. BANC is moving forward with a modification to our normal summer assessment, which will be coordinated through both the Operations and Resource Committees. BANC is also participating in discussions initiated by the EIM Entities with the CAISO on analysis of the heat wave incidents. The Joint Agencies issued their final report on the heat wave incidents on January 13, 2021, which basically confirmed the conclusions from the earlier report. The CAISO has also instituted a stakeholder process to address market enhancements for summer 2021, including issues around the EIM Resource Sufficiency Test, export priorities, wheel-through transactions, and system market power mitigation. BANC continues to be engaged in these discussions both jointly with the other EIM Entities and individually as appropriate.

Market Initiatives:

EIM Participation

Staff continues monitoring EIM participation. CAISO quarterly benefit reports continue to show that BANC/SMUD is seeing benefits from the EIM participation, with the 4th Quarter 2020 report showing gross benefits of \$5.42 million.

With respect to BANC EIM Phase 2 effort, staff is coordinating with the Phase 2 participants and Utilicast to move forward with implementation. The Business Practices were approved at the Commission meeting in October, Settlements

Allocation Manual at the December Commission meeting, BANC Metering Policy and amended EIM Participation Agreement at the January meeting, and the BANC/SMUD EIM Services Agreement at the February meeting. We anticipate seeking Commission approval of the BANC Risk Policy at the March meeting.

The issue of how to handle the Resource Sufficiency test (Balance and Flex Ramp tests) for EIM Phase 2 has been resolved and the proposal was approved by the Commission at the November meeting. The issue of how best to address collateral for BANC EIM Phase 2 has been reviewed with the CAISO and the EIM Committee, and was approved by the Commission at the February meeting.

EDAM Participation

The EDAM Feasibility Assessment is complete. The CAISO issued an initial EDAM issues white paper on October 10, 2019 and held a stakeholder webinar on October 17. The CAISO requested comments on the issues white paper by November 22, with the EDAM Entities filing joint comments and BANC also filing supporting comments. It is expected that the CAISO will use 2020 and 2021 to conduct the formal stakeholder process, including development of a straw proposal for EDAM, followed by tariff filings at FERC. The CAISO is currently estimating that the earliest EDAM implementation would be in 2023 with a go live in spring 2024. The EDAM Entities (including BANC) were active participants in the first EDAM public stakeholder workshop on February 11-12, 2020. The CAISO issued the initial Bundle 1 straw proposal on July 20th. The CAISO held a stakeholder meeting on July 27th and 29th, which BANC attended. Stakeholder comments on the Bundle 1 issues were filed on November 12th. The EIM Entities developed comments on the Bundle 1 straw proposal, to which BANC signed on. The EIM Entities also have continued to do outreach to the CA PTOs. In parallel, the EIM Entities are evaluating the impacts seen on EIM market operations from the August and September heat wave incidents to determine how these might also impact EDAM design. We have kicked off more detailed discussions both internally and with the CAISO to understand the heat wave impacts, what changes to EIM might be required, and how these might impact an EDAM design. Based upon these discussions the CAISO has identified some initial improvements which were discussed in summer readiness workshops in January and February.

The EIM Governance Review Committee (GRC) issued its straw proposal on July 31, 2020. The recommendations are consistent with positions that BANC has supported in both the EIM group and POU group. BANC joined in comments filed on August 28 by both the EIM Entities and POU group, which were mainly supportive of the GRC proposal. The GRC issued its revised straw proposal in late 2020 and BANC filed supportive comments both with the other EIM Entities and with the Western POU markets group.

WAPA:

Market Engagement

We have included WAPA-SNR in our EIM Phase 2 planning efforts and WAPA-SNR is an active participant. The main discussions with WAPA-SNR have been around the approach for use of WAPA-SNR transmission in EIM and how the deviation band will be handled in EIM. Also, we worked proactively with WAPA-SNR to assist them in their OATT and Rates processes for EIM.

WAPA-SNR and BANC have initiated routine calls with NCPA to help facilitate discussions on joint issues.

San Luis Transmission Project

WAPA-SNR has announced its intent to work with the Bureau of Reclamation and CDWR to construct the SLTP. BANC met with WAPA and the other parties to fully understand the implications of having this new transmission project in the BANC BA/WAPA-SNR sub-BA. The SLTP developers (DATC) have withdrawn from the project and the Delta-Mendota Water Agency has issued an RFP for development of the project. It is our understanding that responses to the RFP have been received and are currently being evaluated. We will keep the Commission informed as more information becomes available.

WECC

WECC Board Meetings

The last MAC and Board meetings were on March 16-17, 2021, via webinar rather than in person due to COVID-19 concerns.

WECC finalized and posted in early December an event assessment of the recent August heat wave and CAISO load shedding incidents. WECC has also issued an assessment of resource adequacy for the Western Interconnection.

NWPP

Resource Adequacy Project

In light of the concerns raised in 2018 regarding resource adequacy (RA) for the PNW entities, NWPP initiated a formal project to develop an RA program for the region. As a NWPP member, BANC has been providing funding for the initial phases of this effort. NWPP updated the participants on June 25, 2020, regarding the scope, schedule, and budget for the next phase of this effort (Phase 2B). Staff continues to engage in the Phase 2B effort, with active participation on the project design working groups and steering committee. Participants are submitting historical data to the project consultant (SPP) for running of design simulations to determine

possible forecasts of RA Program performance. The group is also actively discussing regulatory and governance structure for the program going forward. It is expected that BANC will need to be prepared for a decision on continuing participation in the NWPP RA Program during the first half of 2021.

CDWR Delta Pumping Load:

BANC is coordinating with SMUD, CDWR, WAPA, and the CAISO regarding how the construction and pumping loads and ancillary services will be provided for this project. The CAISO has reached out to BANC/SMUD/WAPA-SNR regarding contacts for initiating discussions on how CAISO will supply energy for the construction loads in our footprints. With the Governor's announcement that the project will be downsized from two to one tunnel, CDWR has withdrawn the current applications and will be submitting revised environmental documentation. SMUD reported that CDWR has approached them regarding the revised environmental review, which will be performed during 2020.

SB100 Implementation

As part of SB100, the CPUC, CEC, and CARB (Joint Agencies) are required to collaborate with the California BAs to develop a quadrennial report on the status of achieving the goals of SB100. The initial report is due 1/1/21. The four POU BAs (BANC, IID, LADWP, and TID) are collaborating on positions and responses. In addition, we have done outreach to the CAISO, Pacificorp, NV Energy, and WAPA BA's in California to determine if there is benefit to all BAs coordinating on this effort. BANC filed comments with the agencies on 12/2/19. BANC stated that it supported the long-term goals of the State regarding GHG reductions. However, we also cautioned that the transition from the current mix of resources to the long-term resource mix needs to be done in an orderly manner to ensure that grid reliability and affordability can be maintained for the benefit of the end-use consumers. We also supported a "net zero" carbon approach to meeting the goals, at least on an interim basis. I attended the SB100 workshop on 2/24/2020 and participated on a BA reliability panel. Subsequent to the workshop, staff worked with the other POU BAs (LADWP, IID, and TID) regarding comments to the Joint Agencies. The Joint Agencies held an outreach meeting with the California BAs on August 25 to brief the BAs on the results of the Agencies initial analysis. This was followed by a public workshop on September 2. BANC coordinated with the POU BAs via CMUA and filed joint comments on September 15. The Joint Agencies have finalized the SB100 report and provided a briefing to the CA BAs on November 30th and conducted a public workshop on the report on December 4th. BANC provided comments as part of the workshop and filed written comments as well. The final report was scheduled for submittal to the Legislature in early January 2021; however, it was issued on 3/15/21. The CEC did reach out to the POU BAs via CMUA in early March seeking more engagement with the BAs for the next round of analysis for the SB100 effort. The POU BAs are evaluating how best to engage in this request.

Western Electricity Industry Leaders (WEIL) Group

The WEIL group has done outreach to the Western Governors' Association with a request to hold discussions on how to better coordinate electricity policy in the West. Based upon these discussions, the Western Governors and WEIL have agreed to make use of the Center for a New Energy Economy (CNEE), which is headed by former CO Governor Ritter, to facilitate further dialogue. This effort has been designated as the Western Interconnection Regional Electricity Dialogue (WIRED). The group agreed to focus discussions around three topics:

- State clean electricity goals and GHG accounting
- Reliability/resource adequacy
- Transmission planning and development.

Initial draft reports have been developed by the work groups and are now being reviewed both by WEIL and the state energy policy advisors. The goal was to have a set of actionable recommendations that could be presented to the December Western Governors meeting. However, it is now expected that it will be mid-2021 before we are ready for any possible recommendations. The WEIL group discussed and reached consensus at its February CEO meeting on a position statement for this effort.

Strategic Initiatives

An update of the 2020/2021 Strategic Initiatives is attached to this report.

BANC 2020/2021 Strategic Plan - Routine Initiatives March 2021 Update

No./Priority	Focus Area	Initiative	Responsibility	Target Due Date	Status
1 Medium	INDEPENDENCE	Effectively oversee the BA operations.	Jim Shetler	Ongoing	See monthly Ops, PC, Compliance, & GM Reports
2 Medium		Maintain long-term succession plan and traits for General Manager	Jim Shetler/Commission	Ongoing as Necessary	
3 Medium	OUTREACH	Engage in industry forums (WECC, Peak, NWPPA, etc.)	Jim Shetler	Ongoing	Attend RC West, WECC Board, WEIL, & NWPP Exec. Forum meetings
4 Medium		Coordinate with other POU BAs (Ca and regionally)	Jim Shetler	Ongoing	Coordinating with SCL, SRP, LA, TP, & TID on EIM/EDAM
5 Medium		Outreach to regulatory and legislative bodies on key issues	Jim Shetler/BBSW	Ongoing as Necessary	Participating in WEIL group outreach to West governors
6 Medium		More formal engagement with TID on BA/EIM/EDAM issues	Jim Shetler/BBSW	Ongoing	Continue periodic discussions on areas of collaboration
7 Medium	ASSETS	Evaluate joint options for resource needs for BA	Resource Committee	4th Qtr. 2021	
8 Low	MEMBER SERVICES	Identify and outreach to potential new BANC members	Jim Shetler	Ongoing	

BANC 2020/2021 Strategic Plan - Focused Initiatives March 2021 Update

No./Priority	Focus Area	Initiative	Responsibility	Target Due Date	Status
9 High	INDEPENDENCE	Manage implementation of EIM Phase 2 participation effort	Jim Shetler/SMUD	3/25/21	EIM Committee Meetings; Go-live - 3/25/21
10 High		Manage EIM Phase 2 Going Forward	Jim Shetler/SMUD	Ongoing	
11 High		EDAM evaluation effort ~ CAISO Stakeholder Process ~ CAISO Tariff Development	Jim Shetler/BBSW Jim Shetler/BBSW	3rd Qtr. 2021 1st Qtr. 2022	Engaged in summer '21 eval.
12 Medium	OUTREACH	Evaluate opportunities to engage other entities in market development	Jim Shetler	Ongoing	Coordinating with SCL, SRP, LADWP, TID, & Tacoma
13 Medium		Regional Policy Issues: Monitor/weigh-in where appropriate	Jim Shetler/Commission	Ongoing	Participating in WEIL effort on WIRED issues
14 High		Regionalization: ~Monitor CAISO GRC effort	Jim Shetler/BBSW	4th Qtr. 2021	Tony Braun active on GRC. Draft proposals finalized
15 High		Coordinate with CA BAs on SB100 effort	Jim Shetler/BBSW	12/31/21	CEC issued report 3/15/21; CEC outreach to BAAs
16 Medium	ASSETS	Evaluate resource criteria for BANC long-term needs	Jim S./Res. Com.	4th Qtr. 2021	
17 Medium	MEMBER SERVICES	Evaluate possible support to participants for EIM operations	Jim S.	Ongoing	Approved EIM Participation Agreement Amendments

Balancing Authority of Northern California

Agenda Item 5A

1. **Resolution 21-03-15 *Approval of BANC Internal Risk Management Policy.***
2. **Attachment A to Resolution 21-03-15: Balancing Authority of Northern California Internal Risk Management Policy.**

Braun Blaising Smith Wynne, P.C.

Attorneys at Law

3/15/21

To: **BANC Commission**

From: **BANC Counsel**

RE: **Commission Approval of BANC Internal Risk Management Policy**

Introduction

We are seeking Commission approval of the Balancing Authority of Northern California (BANC) Internal Risk Management Policy (IRMP) in the Energy Imbalance Market (EIM) operated by the California Independent System Operator (CAISO). As explained further below, these are not required for BANC EIM Phase 2 start up. For now, the CAISO is deeming BANC's prior submission for Phase 1 as meeting its tariff requirements. Nevertheless, due to the interdependency of the CAISO's approval based on the compliance with these policies by each of the individual BANC EIM Participants, it is important for BANC to ensure that each EIM Participant maintains its role in support of these policies in accordance with the CAISO Tariff. Additionally, the CAISO may request an update to BANC's policies at some point after Phase 2 start up. Thus, it is entirely appropriate for the Commission to establish a new BANC-specific policy, independent of its EIM Participants.

Background

BANC serves as the EIM Entity for the BANC EIM footprint. Initially, in Phase 1, the Sacramento Municipal Utility District (SMUD) was the sole EIM Participant in the BANC EIM Entity footprint. For Phase 2, which commences on March 25, 2021, SMUD is now joined by the Modesto Irrigation District, the City of Redding, the City of Roseville and the Western Area Power Administration – Sierra Nevada Region (WAPA).

As the EIM Entity, BANC settles all imbalances within its EIM footprint with the CAISO and is an EIM Entity Scheduling Coordinator (SC). In accordance with the CAISO Tariff, business practices and Federal Energy Regulatory Commission (FERC) precedent,¹ in order to be certified as an SC by the CAISO, BANC must satisfy minimum market participation requirements by having established credit and risk policies and procedures. As part of this, FERC has suggested that a review (by the independent system operator or regional transmission organization) of each market participant's risk policies and procedures is necessary to evaluate

¹ FERC Order 741. Credit Reforms in Organized Wholesale Electric Markets, Order No. 741, FERC Stats. & Regs. ¶ 31,317 (2010), order on reh'g, Order No. 741-A, FERC Stats. & Regs. ¶ 31,320 (2011), order denying reh'g, Order No. 741-B, 135 FERC ¶ 61,242 (2011).

their ability to transact in an organized market. Thus, as part of the SC certification process, BANC (or any other prospective participant) provided the CAISO with a copy of its risk management policies and procedures and provide citations to sections within those policies which demonstrate it meets the following eight criteria (so-called “Minimum Standards”).² However, for Phase 1, the CAISO accepted the policies of SMUD, since it was the sole entity participating and therefore any market risks imposed by BANC’s Phase 1 participation were solely traceable to SMUD. Thus, BANC submitted SMUD risk management policies which met the CAISO’s Minimum Requirements in advance of Phase 1 in satisfaction of this requirement.

For Phase 2, the CAISO has adopted a different approach. It has independently validated that each of the BANC EIM Participants, who are all also SCs (for EIM, Participating Resource SCs), have risk policies and procedures which meet its Minimum Standards and deem this sufficient for BANC, in conjunction with the fact that BANC had already been approved as an EIM Entity SC and is independently meeting CAISO’s financial security requirements. However, this extension to BANC is tied directly to each of its EIM Participants being in compliance with the Minimum Standards and, in the future, BANC may be subjected to a *de novo* review by the CAISO. This IRMP is therefore intended to set forth the minimum requirements to be maintained by each of the EIM Participants in order to maintain compliance with the CAISO’s Minimum Standards³ as well as to provide an adopted IRMP in the event that the CAISO seeks renewed validation for BANC as an EIM Entity SC.

The IRMP was reviewed by both the EIM and Legal Committees and they have concurred in moving the policy forward for Commission approval.

Conclusion

We respectfully request that the Commission approve the IRMP in accordance with BANC Resolution No. 21-03-15.

² These Minimum Standards are provided in Section 12.1(d) of the CAISO Tariff.

³ Given the interdependency of the EIM Participants within the BANC EIM footprint, it is essential that each EIM Participant ensures its individual compliance so not to disrupt the participation of the broader group.

**Balancing Authority of Northern California
Resolution 21-03-15**

APPROVAL OF BANC INTERNAL RISK MANAGEMENT POLICY

WHEREAS, the Balancing Authority of Northern California (“BANC”) was created by a Joint Powers Agreement (“JPA”) to, among other things, acquire, construct, maintain, operate, and finance Projects; and

WHEREAS, the Commission authorized BANC to become an Energy Imbalance Market (“EIM”) Entity and directed BANC staff to pursue EIM participation under a phased approach, including that BANC become an EIM Entity and execute all applicable agreements with the California Independent System Operator (“CAISO”), which serves as the Market Operator for EIM, and among BANC and EIM Participants, as approved by the Commission; and

WHEREAS, in BANC EIM Phase 1 (“Phase 1”), the Sacramento Municipal Utility District (“SMUD”) was the sole EIM Participant; and

WHEREAS, BANC is implementing Phase 2 of EIM (“Phase 2”), whereby additional BANC Members the Modesto Irrigation District, the City of Redding, CA , and the City of Roseville, CA, as well as the Western Area Power Administration – Sierra Nevada Region (“WAPA”), as a BANC participant, shall join SMUD, as EIM Participants; and

WHEREAS, as the EIM Entity, BANC settles all imbalances within its EIM footprint with the CAISO and is an EIM Entity Scheduling Coordinator (“SC”); and

WHEREAS, in accordance with the CAISO Tariff, business practices and Federal Energy Regulatory Commission precedent, in order to be certified as an SC by the CAISO, BANC must satisfy minimum market participation requirements by having established credit and risk policies and procedures; and

WHEREAS, upon the commencement Phase 1, where SMUD was the sole EIM Participant, the CAISO allowed BANC to rely on SMUD’s credit and risk policies and procedures and so certified BANC as an EIM Entity SC; and

WHEREAS, upon commencement of Phase 2, the CAISO is carrying over its previous approval of BANC’s Phase 1 certification for its credit and risk policies and procedures; and

WHEREAS, this Phase 2 certification relies not only upon the Phase 1 certification, but also relies on the independent certifications the CAISO has conducted for each of the Phase 2 EIM Participants; and

WHEREAS, the CAISO may require revised credit and risk policies and procedures for BANC at some time in the future; and

WHEREAS, there is an interdependency within BANC that each EIM Participant maintain its own credit and risk policies and procedures in accordance with the CAISO Tariff; and

WHEREAS, BANC should have and maintain its own credit and risk policies and procedures to ensure compliance; and

WHEREAS, this proposal has been discussed with, and accepted by, the EIM Committee and the Legal Committee.

**Balancing Authority of Northern California
Resolution 21-03-15**

NOW, THEREFORE, BE IT RESOLVED that the Commissioners of the Balancing Authority of Northern California hereby APPROVE the "BANC Internal Risk Management Policies" as provided to the Commission.

PASSED AND ADOPTED by the Commissioners of the Balancing Authority of Northern California this 24th day of March 2021, by the following vote:

		Aye	No	Abstain	Absent
Modesto ID	James McFall				
City of Redding	Dan Beans				
City of Roseville	Michelle Bertolino				
City of Shasta Lake	James Takahara				
SMUD	Paul Lau				
TPUD	Paul Hauser				

Dan Beans
Chair

Attest by: C. Anthony Braun
Secretary

**BALANCING AUTHORITY OF
NORTHERN CALIFORNIA**

Internal Risk Management Policy

Version 1.0

Section 1. Introduction

The Balancing Authority of Northern California (BANC) serves as the Energy Imbalance Market (EIM) Entity for the BANC EIM footprint. Initially, or in Phase 1, the Sacramento Municipal Utility District (SMUD) was the sole EIM Participant in the BANC EIM Entity footprint. For Phase 2, which commences on March 25, 2021, SMUD is now joined by the Modesto Irrigation District, the City of Redding, the City of Roseville and the Western Area Power Administration – Sierra Nevada Region (WAPA).¹

As the EIM Entity, BANC settles all imbalances within its EIM footprint with the California Independent System Operator Corporation (CAISO) and is an EIM Entity Scheduling Coordinator (SC). In accordance with the CAISO Tariff, business practices and Federal Energy Regulatory Commission (FERC) precedent,² in order to be certified as an SC by the CAISO, BANC must satisfy minimum market participation requirements by having established credit and risk policies and procedures. As part of this, FERC has suggested that a review (by the independent system operator or regional transmission organization) of each market participant's risk policies and procedures is necessary to evaluate their ability to transact in an organized market. Thus, as part of the SC certification process, BANC (or any other prospective participant) provided the CAISO with a copy of its risk management policies and procedures and provide citations to sections within those policies which demonstrate it meets the following eight criteria (so-called "Minimum Standards").³ However, for Phase 1, the CAISO accepted the policies of SMUD, since it was the sole entity participating and therefore any market risks imposed by BANC's Phase 1 participation were solely traceable to SMUD. Thus, BANC submitted SMUD risk management policies which met the CAISO's Minimum Requirements in advance of Phase 1 in satisfaction of this requirement.

For Phase 2, the CAISO has adopted a different approach. It has independently validated that each of the BANC EIM Participants, who are all also SCs (for EIM, Participating Resource SCs), have risk policies and procedures which meet its Minimum Standards and deem this sufficient for BANC, in conjunction with the fact that BANC had already been approved as an EIM Entity SC and is independently meeting CAISO's financial security requirements. However, this extension to BANC is tied directly to each of its EIM Participants being in compliance with the Minimum Standards and, in the future, BANC may be subjected to a *de novo* review by the CAISO. This BANC Internal Risk Management Policy (IRMP) is therefore intended to set forth the minimum requirements to be maintained by each of the EIM Participants in order to maintain compliance with the CAISO's Minimum Standards⁴ as well as to provide an adopted IRMP in the event that the CAISO seeks renewed validation for BANC as an EIM Entity SC.

¹ WAPA is not a BANC Member, however is an EIM Participant and an active participant in other BANC matters.

² FERC Order 741. Credit Reforms in Organized Wholesale Electric Markets, Order No. 741, FERC Stats. & Regs. ¶ 31,317 (2010), order on reh'g, Order No. 741-A, FERC Stats. & Regs. ¶ 31,320 (2011), order denying reh'g, Order No. 741-B, 135 FERC ¶ 61,242 (2011).

³ These Minimum Standards are provided in Section 12.1(d) of the CAISO Tariff.

⁴ Given the interdependency of the EIM Participants within the BANC EIM footprint, it is essential that each EIM Participant ensures its individual compliance so not to disrupt the participation of the broader group.

Section 2. Definitions

- 2.1 **BANC Member** shall mean a signatory to the BANC Joint Powers Agreement and the BANC Member Agreement, as these agreements may be amended from time-to-time.
- 2.2 **Business Practices** shall mean the business practices established by BANC to govern participation in EIM as these BANC EIM Business Practices may be adopted or amended from time-to-time in accordance with this Agreement.
- 2.3 **CAISO** shall mean the California Independent System Operator, which currently serves as the EIM Market Operator.
- 2.4 **CAISO Business Practice Manuals** shall mean the collection of documents made available by the CAISO on the CAISO Website that contain the rules, policies, procedures and guidelines established by the CAISO for operational, planning, accounting and settlement requirements of CAISO Market activities, consistent with the CAISO Tariff.
- 2.5 **CAISO Tariff** shall mean the CAISO's open access transmission tariff filed with, and approved by the Federal Energy Regulatory Commission, as that tariff may be amended from time-to-time.
- 2.6 **Commission** shall mean the "BANC Commission," as established in the BANC Joint Powers Agreement, as that agreement may be amended from time-to-time.
- 2.7 **EIM Committee** shall mean the administrative committee established and described in the BANC EIM Participation Agreement.
- 2.8 **EIM Participant** shall mean an entity which has executed the EIM Participation Agreement with BANC.
- 2.9 **EIM Participating Resources** shall have the meaning set forth in the CAISO Tariff, as that tariff may be amended from time-to-time
- 2.10 **EIM Participation Agreement** shall mean the agreement between BANC, as the EIM Entity, and each EIM Participant, which establishes respective rights, obligations, and procedures related to EIM participation within the BANC BAA, as that agreement may be amended from time-to-time.
- 2.11 **Internal Risk Management Policy or "IRMP"** shall mean this policy, adopted by the Commission.
- 2.12 **Legal Committee** shall mean the representative legal counsel or representative selected by each BANC Member or WAPA to provide legal advice and counsel to that EIM Participant. The Legal Committee provides as-needed support to the

BANC General Counsel upon the approval of the individual BANC Member or WAPA.

- 2.13 ***Minimum Standards*** shall mean the eight standards for acceptable risk management policies, procedures, and controls as set forth in Section 12.1(d) of the CAISO Tariff and Section 3 of this Internal Risk Management Policy.

Section 3. Minimum Standards Requirements

BANC has adopted the following requirements to ensure that each EIM Participant independently meets the eight Minimum Standards required under Section 12.1 of the CAISO Tariff.⁵ More specifically, each EIM Participant, as EIM Participating Resource SCs, shall maintain risk policies in accordance with the CAISO Tariff and in compliance with this IRMP, in accordance with the following:

1. The EIM Participant's risk management framework is documented in a risk policy addressing market, credit, and liquidity risks that has been approved by the EIM Participant's risk management governance function, which includes appropriate entity persons or bodies that are independent of the EIM Participant's trading functions, such as a risk management committee, a designated risk officer, or a board or board committee;
2. The EIM Participant maintains an organizational structure with clearly defined roles and responsibilities that segregate front-, middle-, and back-office functions to as high a level as is practicable;
3. Delegations of authority specify the transactions in which traders are allowed to enter;
4. The EIM Participant ensures that traders have adequate training and experience relative to their delegations of authority in systems and the markets in which they transact;
5. As appropriate, risk limits are in place to control risk exposures;
6. Reporting is in place to ensure risks are adequately communicated throughout the organization;
7. Processes are in place for independent confirmation of executed transactions; and
8. As appropriate, there is periodic evaluation or mark-to-market of risk positions.

⁵ We supplant the term form the CAISO Tariff "Market Participant" with "EIM Participant" for the purpose of conformance with BANC internal nomenclature and references. We also have removed corporate or parent company references from the description. Noe of these changes alter the substantive requirements applicable to EIM Participants.

Section 4. Non-Compliance

- 4.1 All EIM Participants are responsible for maintaining compliance with their respective obligations to meet the CAISO's Minimum Standards. In the event the CAISO conducts an audit or otherwise determines the non-compliance of any EIM Participant with respect to Minimum Standards, that EIM Participant shall:
 - 4.1.1. Notify the BANC General Manager of the non-compliance; and
 - 4.1.2. Take any reasonable actions required to restore compliance with the Minimum Standards, to the extent practicable.
- 4.2 Should an EIM Participant be unable to meet compliance with the Minimum Standards after taking reasonable efforts, it shall inform the BANC General Manager. The BANC General Manager and General Counsel shall confer with the EIM Participant and, if necessary, the EIM Committee, the Legal Committee and the CAISO to evaluate options. To the extent this cannot be resolved, and the non-compliance results in non-compliance for the EIM Entity, the BANC General Manager shall inform the Commission and discuss options. The Commission shall determine how to address the non-compliance. Notwithstanding the foregoing, if WAPA is the non-compliant EIM Participant, it shall be allowed to provide its input into any Commission determination.

Section 5. Amendment

This policy may be amended upon Commission Approval. Such amendment shall require a change to the Revision History herein.

Section 6. De Novo Review of IRMP by CAISO

BANC is not an asset owner and is dependent on the financial viability of each EIM Participant. Therefore, the intent of the IRMP is to ensure the sum of BANC's EIM Participant parts remain in compliance with the CAISO's Minimum Standards. To the extent the CAISO requires BANC to resubmit its own risk policies to meet the CAISO's Minimum Standards (*de novo* review), the IRMP will be submitted in accordance with such a request. In the event that the CAISO determines that this IRMP is non-compliant with its requirements, the BANC General Manager will work with the BANC General Counsel, EIM Committee, Legal Committee and the CAISO to amend the IRMP to achieve compliance. Any such changes will be considered an Amendment to this IRMP.

Revision History

Balancing Authority of Northern California Internal Risk Management Policy			
Version	Issue Date	Approved	Remarks
1.0	XX/XX/XXXX	XX/XX/XXXX	

Balancing Authority of Northern California

Agenda Item 5B

- 1. Report to Management and Governing Body.**
- 2. Audited Financial Statements for 2020/2019.**

Reporting and insights from the 2020 audit:

The Balancing Authority of Northern California

December 31, 2020

Executive summary

We have completed our audit of the financial statements of The Balancing Authority of Northern California ("The Agency") for the year ended December 31, 2020, and have issued our report thereon dated February 19, 2021. This letter presents communications required by our professional standards.

Your audit should provide you with confidence in your financial statements. The audit was performed based on information obtained from meetings with management, data from your systems, knowledge of your Agency's operating environment and our risk assessment procedures. We strive to provide you clear, concise communication throughout the audit process and of the final results of our audit.

Additionally, we have included information on key risk areas the Agency should be aware of in your strategic planning. We are available to discuss these risks as they relate to your organization's financial stability and future planning.

If you have questions at any point, please connect with us:

- Aaron Worthman, CPA, Partner: Aaron.Worthman@bakertilly.com or +1 (512) 975 7281
- Ryan O'Donnell, CPA, Senior Manager: Ryan.Odonnell@bakertilly.com or +1 (608) 240 2606

Sincerely,

Baker Tilly US, LLP



Aaron Worthman, CPA, Partner

Partner

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THIS COMMUNICATION IS INTENDED SOLELY FOR THE INFORMATION AND USE OF THOSE CHARGED WITH GOVERNANCE, AND, IF APPROPRIATE, MANAGEMENT, AND IS NOT INTENDED TO BE AND SHOULD NOT BE USED BY ANYONE OTHER THAN THESE SPECIFIED PARTIES.

Responsibilities

Audit objectives

Our responsibilities

As your independent auditor, our responsibilities include:

- Planning and performing the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. Reasonable assurance is a high level of assurance.
- Assessing the risks of material misstatement of the financial statements, whether due to fraud or error. Included in that assessment is a consideration of the Agency's internal control over financial reporting.
- Performing appropriate procedures based upon our risk assessment.
- Evaluating the appropriateness of the accounting policies used and the reasonableness of significant accounting estimates made by management.
- Forming and expressing an opinion based on our audit about whether the financial statements prepared by management, with the oversight of those charged with governance:
 - Are free from material misstatement
 - Present fairly, in all material respects, and in accordance with accounting principles generally accepted in the United States of America

We are also required to communicate significant matters related to our audit that are relevant to the responsibilities of those charged with governance, including:

- Qualitative aspects of the Agency's accounting practice including policies, accounting estimates and financial statement disclosures
- Significant difficulties encountered
- Disagreements with management
- Corrected and uncorrected misstatements
- Internal control matters
- Significant estimates
- Other findings or issues arising from the audit

Management's responsibilities

Management	Auditor
	Prepare and fairly present the financial statements
	Establish and maintain effective internal control over financial reporting
	Provide us with written representations at the conclusion of the audit
	Our audit does not relieve management or those charged with governance of their responsibilities
	An audit includes consideration of internal control over financial reporting, but not an expression of an opinion on those controls
	See Appendix A for a copy of management's representations

Audit status



Audit status

Significant changes to the audit plan

There were no significant changes made to either our planned audit strategy or to the significant risks and other areas of emphasis identified during the performance of our risk assessment procedures.

Audit approach and results



Audit approach and results

Planned scope and timing

Audit focus

Based on our understanding of the Agency and environment in which you operate, we focused our audit on the following key areas:

- Key transaction cycles
- Areas with significant estimates

Our areas of audit focus were informed by, among other things, our assessment of materiality. Materiality in the context of our audit was determined based on specific qualitative and quantitative factors combined with our expectations about the Agency's current year results.

Key areas of focus and significant findings

Significant risks of material misstatement

A significant risk is an identified and assessed risk of material misstatement that, in the auditor's professional judgment, requires special audit consideration. Within our audit, we focused on the following areas below.

Significant risk areas	Testing approach	Conclusion
Management override of controls	Incorporate unpredictability into audit procedures, emphasize professional skepticism and utilize audit team with industry expertise	Procedures identified provided sufficient evidence for our audit opinion
Improper revenue recognition due to fraud	Confirmation of certain revenues supplemented with detailed predictive analytics based on non-financial data and substantive testing of related receivables	Procedures identified provided sufficient evidence for our audit opinion

Other key areas of emphasis

We also focused on other areas that did not meet the definition of a significant risk, but were determined to require specific awareness and a unique audit response.

Other key areas of emphasis		
Cash and investments	Revenues and receivables	Collateral deposits
General disbursements	Financial reporting and required disclosures	

Internal control matters

We considered the Agency's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinions on the financial statements. We are not expressing an opinion on the effectiveness of the Agency's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis.

A material weakness is a deficiency or combination of deficiencies in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

Required communications

Qualitative aspect of accounting practices

- Accounting policies: Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we have advised management about the appropriateness of accounting policies and their application. The significant accounting policies used by The Agency are described in Note 2 to the financial statements. No new accounting policies were adopted and the application of existing accounting policies was not changed during 2020. We noted no transactions entered into by the Agency's during the year for which accounting policies are controversial or for which there is a lack of authoritative guidance or consensus or diversity in practice.
- Accounting estimates: Accounting estimates, including fair value estimates, are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements, the degree of subjectivity involved in their development and because of the possibility that future events affecting them may differ significantly from those expected. There were no significant estimates.

Significant unusual transactions

There have been no significant transactions that are outside the normal course of business for the Agency or that otherwise appear to be unusual due to their timing, size or nature

Other audit findings or issues

We encountered no other audit findings or issues that require communication at this time.

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as The Agency's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Disagreements with management

Professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

Management's consultations with other accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing or accounting matters.

Written communications between management and Baker Tilly

The Appendix includes copies of other material written communications, including a copy of the management representation letter.

Uncorrected misstatements and corrected misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. There were no misstatements identified.

Compliance with laws and regulations

We did not identify any non-compliance with laws and regulations during our audit.

Fraud

We did not identify any known or suspected fraud during our audit.

Going concern

Pursuant to professional standards, we are required to communicate to you, when applicable, certain matters relating to our evaluation of the Agency's ability to continue as a going concern for a reasonable period of time but no less than 12 months from the date the financial statements are issued or available to be issued, including the effects on the financial statements and the adequacy of the related disclosures, and the effects on the auditor's report. No such matters or conditions have come to our attention during our engagement.

Independence

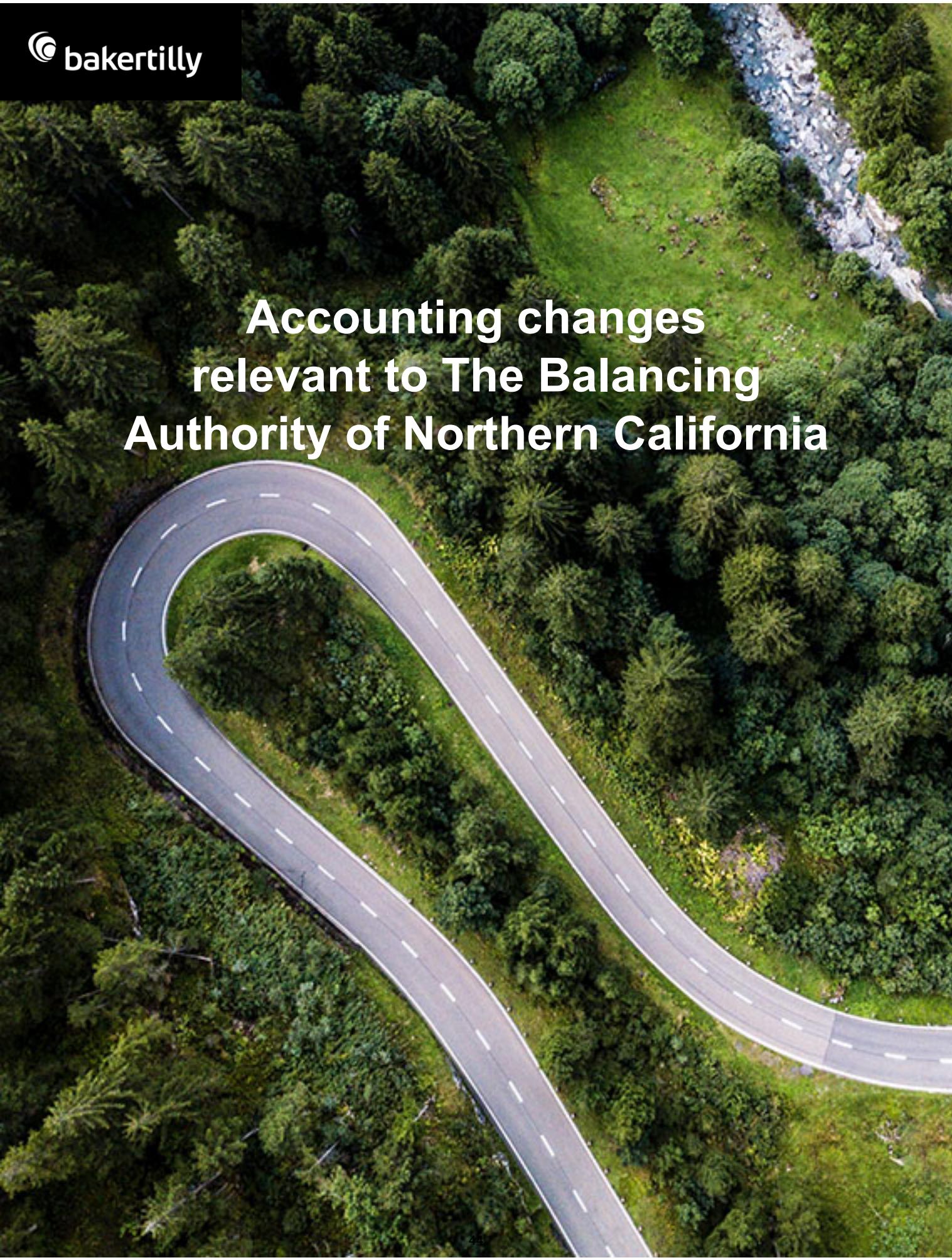
We are not aware of any relationships between Baker Tilly and the Agency that, in our professional judgment, may reasonably be thought to bear on our independence.

Related parties

We did not have any significant findings or issues arise during the audit in connection with the Agency's related parties.

Other matters

We applied certain limited procedures to the required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.



Accounting changes relevant to The Balancing Authority of Northern California

Accounting changes relevant to The Balancing Authority of Northern California

Future accounting standards updates

Further information on upcoming [GASB pronouncements](#).

GASB Statement Number	Description	Potentially Impacts you	Effective Date
87	Leases	✓	12/31/22
89	Accounting for Interest Incurred before the End of a Construction Period	✓	12/31/21
91	Conduit Debt	✓	12/31/22
92	Omnibus 2020	✓	12/31/22
93	Replacement of Interfund Bank Offered Rates	✓	12/31/21
94	Public-Private and Public-Public Partnerships and Availability Payment Arrangements	✓	12/31/23
96	Subscription-Based Information Technology Arrangements	✓	12/31/23
97	Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans	✓	12/31/22

Preparing for the new lease standard

GASB's new single model for lease accounting will be effective for 2022. This standard will require governments to identify and evaluate contracts that convey control of the right to use another entity's nonfinancial asset as specified in the contract for a period of time in an exchange or exchange-like transaction. Contracts meeting the criteria for control, term and other items within the standard will result in recognizing a right to use asset and lease liability or a receivable and deferred inflow of resources.

We recommend The Agency review this standard and start planning now as to how this will affect your financial reporting. We recommend that you begin by completing an inventory of all contracts that might meet the definition of a lease. The contract listing should include key terms of the contracts such as:

- Description of contract
- Underlying asset
- Contract term
- Options for extensions and terminations
- Service components, if any
- Dollar amount of lease

In addition, The Agency should begin to establish a lease policy to address the treatment of common lease types, including a dollar threshold for each lease. We are available to discuss this further and help you develop an action plan.

Learn more about [GASB 87](#).

Planning for the new conduit debt reporting

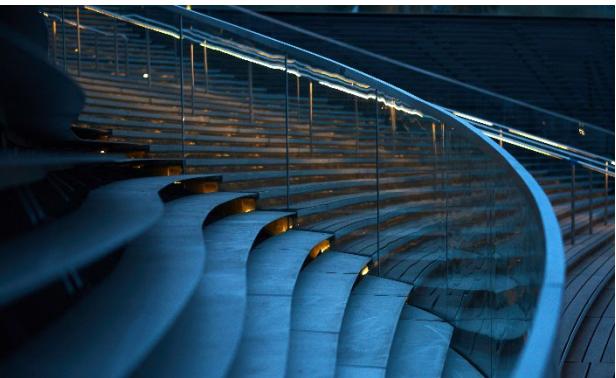
Conduit debt includes arrangements where there are three separate parties involved including a third party that is obligated for payment, a debt holder or lender and an issuing party which is often a government. This standard provides additional criteria for identifying and classifying conduit debt with the intent of providing consistency in how the debt is recorded and reported in governmental financial statements. The Agency should identify any existing debt arrangements involving third party obligors and evaluate how those arrangements will be reported under the new standard in order to determine the potential impact of this standard on future financial reporting.

Trending challenges for organizations

Trending challenges for organizations

Management and the governing bodies must keep the future in mind as they evaluate strategies to achieve future growth. Keeping a balance between risk and sustainability is key, and organizations need to think beyond their immediate needs to their long term goals. Economic uncertainty, coupled with key risk areas and fast paced technology change, make strategic planning complex. Begin the discussion with your management team to find your path to your future.

2021 strategic risks for boards



Evaluating and mitigating the greatest risks

Public sector organizations face a multitude of internal and external risks in an evolving landscape. Risks can stem from strategy, finances, legal situations, operations, regulatory compliance, information technology, economic environment, and/or fraud, waste and abuse.

By employing a risk assessment, areas with the greatest needs and highest risks are evaluated. Then a risk mitigation plan can be developed and deployed.

Learn about [risk assessment](#) types, tools and strategies.

Cybersecurity

Operational reporting on cybersecurity effectiveness

As boards engage management in cybersecurity risk discussions, directors should expect management to produce reports on the effectiveness of the organization's cybersecurity-risk management program. Management can (and should) collect and analyze relevant performance measures and metrics to determine if cybersecurity safeguards and controls are operating as intended, and whether any corrective action should be taken to strengthen management's risk-mitigation approaches. While not an exhaustive list, some key processes on which management should report include these:

- Incident management
- Risk management and governance
- Independent assurance on the cybersecurity program

[Learn more](#) about cybersecurity risk management.



[WATCH: On demand webinar about board governance over cybersecurity.](#)

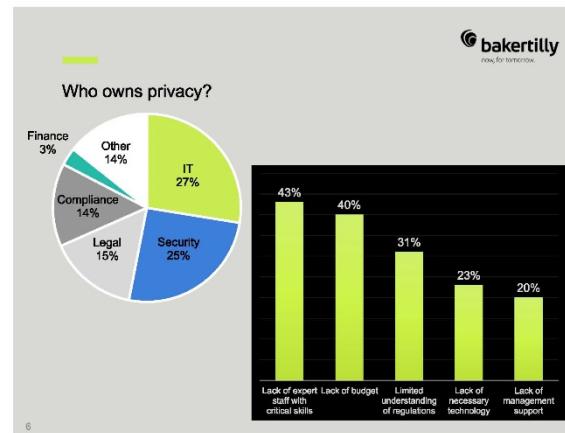
Data privacy

Elevating privacy risks to the forefront of board agendas

Organizations around the world are still scrambling to comply with the General Data Protection Regulation in the European Union, which went into effect in May 2018. While the data privacy regulatory environment changes rapidly, organizations can take proactive steps to ensure that they stay informed of the existing regulations and of those developing on the near horizon.

Adequate oversight remains a key part of staying on top of data privacy developments. Some regulations specify oversight requirements, and can depend on the type of the organization, the quantity and type of personal data processed, and the locations where operations take place. In many cases, a data protection officer (DPO) must lead the effort. Since the DPO is responsible for overseeing practices related to data protection strategy and implementation, having one in place early on will help ensure that the privacy program is comprehensive and consistent.

Learn more about [data privacy risk management](#).



[WATCH: On demand webinar about a risk-based approach to oversight, compliance and management of privacy](#)

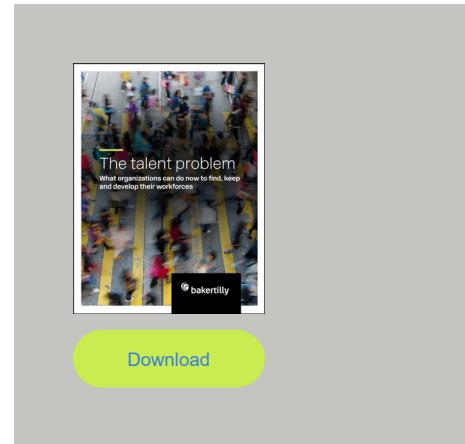
The talent problem

Establishing a lifeline for your shifting workforce

Employee recruitment and retention challenges are an all too common struggle in the public sector:

- Aging workers with institutional knowledge retire
- High demand for small qualified candidate pool
- Perception of geographic disadvantages
- Wage/benefit competition with private sector
- Lean operations exclude investments in recruitment, on-the-job training and technology
- Unclear growth and career advancement tracks

Sustainable organizations must have a robust workforce development and succession planning program. Learn how to get started and incorporate a workforce/succession planning program with existing operational practices.



[Download](#)

Innovation

Anticipating disruptive innovation and digital transformation

To stay competitive and relevant in a rapidly changing business landscape, organizations in every industry must navigate an increasingly disruptive, technology-enabled environment. Companies that do not address and embrace new and emerging technologies will be less competitive or may even face obsolescence.

Given these challenges to companies, what does innovation mean in this era of digital transformation? Innovation now involves finding the right problems worth solving; building new offerings, business models, and experiences; and generating value at scale for customers.

Furthermore, the rapid digital transformation of advanced technologies such as blockchain, robotic process automation (RPA), and artificial intelligence (AI) now portend similar effects in industries from financial services and healthcare to communications and manufacturing. Boards must become

knowledgeable about these digital disruption trends in order to be able to conduct meaningful oversight that management can use successfully as the company embraces new technologies.

Learn more about [innovation opportunities](#).

Anticipating Disruptive Innovation and Digital Transformation

To stay competitive and relevant in a rapidly changing business landscape, organizations in every industry must navigate an increasingly disruptive, technology-enabled environment.

[Read the blog post.](#)

Public sector executive recruitment

Navigating recruitments and smart hiring

Competing for top executive talent in the public sector space takes industry knowledge, familiarity with the general applicant pool and experience navigating recruitments. Search consultants draw upon their understanding of organizational management and human resources to serve as a successful agent for government entities. In turn, public sector organizations can adopt a foundational understanding about search firms to ensure optimal collaboration on hiring opportunities.

[Read the three part series](#) to learn what your entity should be thinking about and how Baker Tilly can help.

Three part series on public sector executive recruitment

Navigate the changing workforce landscape with confidence, read the executive recruitment series.

1. [Five myths about search firms](#)
2. [Recruiting for difficult positions](#)
3. [Hiring recommendations for government entities](#)

Customer experience

Finding your edge in a competitive market

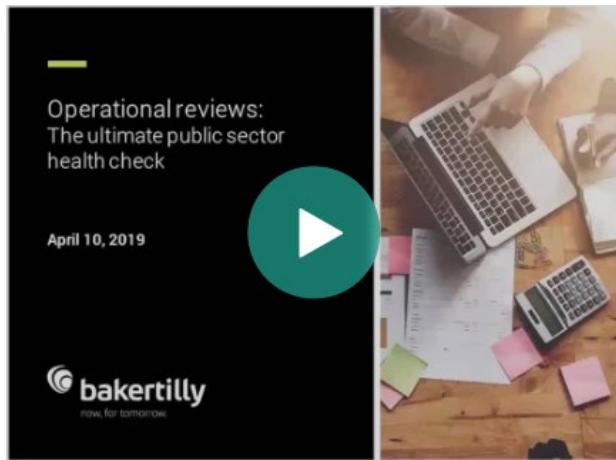
All industries are facing an increasingly competitive marketplace due to more connected consumers, partners and vendors. Where a company may have had a geographic advantage in the past, they now need to be able to compete against non-local organizations.

One of the key factors in maintaining your place in the market is ensuring a positive, fast and easy customer experience. Whether this means enhancing your customer support services through online chat bots or developing a mobile app to allow your customer access to their information around the clock, your organization needs to take your customer experience strategy seriously. Management and board members should understand where your experience is currently and what strategies you are evaluating to enhance it.

Learn more about [why your customer experience is so important](#).

Operational and organizational sustainability

Aligning resources with strategy



As new demands confront the public sector industry, it's easy to solve an immediate problem instead of pausing to take a holistic view. Rippling inefficiencies, increasing financial pressures, taxing staff resources and plummeting constituent satisfaction can pile atop organizations already facing pressure to improve efficiency, effectiveness, relevance and financial viability.

An operational review follows a systematic, strategic approach to understanding an entity's operations and performance. Opportunities to improve processes, bolster internal controls and reduce costs are uncovered in order to realign organizational resources and strategic objectives.

Learn invaluable methods for [executing an operational review](#) while maintaining day-to-day operations.



Appendix A: Management representation letter



BALANCING AUTHORITY OF NORTHERN CALIFORNIA

RELIABILITY • COLLABORATION • SUSTAINABILITY

February 19, 2021

Baker Tilly US, LLP
4807 Innovate Ln
P.O. Box 7398
Madison, WI 53707-7398

Dear Baker Tilly US, LLP:

We are providing this letter in connection with your audits of the financial statements of Balancing Authority of Northern California (the Agency) as of December 31, 2020 and 2019 and for the years then ended for the purpose of expressing an opinion as to whether the financial statements present fairly, in all material respects, the financial position, results of operations and cash flows of the Agency in conformity with accounting principles generally accepted in the United States of America. We confirm that we are responsible for the fair presentation of the previously mentioned financial statements in conformity with accounting principles generally accepted in the United States of America. We are also responsible for adopting sound accounting policies, establishing and maintaining internal control over financial reporting, and preventing and detecting fraud.

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in the light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief, the following representations made to you during your audit.

Financial Statements

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter.
2. The financial statements referred to above are fairly presented in conformity with accounting principles generally accepted in the United States of America and include all financial information required by accounting principles generally accepted in the United States of America.
3. We acknowledge our responsibility for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.
4. We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
5. Significant assumptions we used in making accounting estimates, if any, are reasonable.

A JOINT POWERS AUTHORITY BETWEEN

Modesto Irrigation District, City of Redding, City of Roseville, Trinity Public Utilities District,
City of Shasta Lake and Sacramento Municipal Utility District

6201 S STREET, MS B356, SACRAMENTO, CA 95852-0830
WWW.THEBANC.ORG

6. All events subsequent to the date of the financial statements and for which accounting principles generally accepted in the United States of America require adjustment or disclosure have been adjusted or disclosed. No other events, including instances of noncompliance, have occurred subsequent to the balance sheet date and through the date of this letter that would require adjustment to or disclosure in the aforementioned financial statements.
7. All material transactions have been recorded in the accounting records and are reflected in the financial statements.
8. We are not aware of any known actual, possible, pending, or threatened litigation, claims, or assessments or unasserted claims or assessments that are required to be accrued or disclosed in the financial statements in accordance with accounting principles generally accepted in the United States of America, and we have not consulted a lawyer concerning litigation, claims, or assessments.

Information Provided

9. We have provided you with:
 - a. Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as financial records and related data, documentation, and other matters.
 - b. Additional information that you have requested from us for the purpose of the audit.
 - c. Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
 - d. Minutes of the meetings of the Agency or summaries of actions of recent meetings for which minutes have not yet been prepared.
10. We have disclosed to you results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
11. We have no knowledge of any fraud or suspected fraud that affects the entity and involves:
 - a. Management,
 - b. Employees who have significant roles in internal control, or
 - c. Others where the fraud could have a material effect on the financial statements.
12. We have no knowledge of any allegations of fraud or suspected fraud affecting the entity received in communications from employees, former employees, regulators, or others.
13. We have no knowledge of known instances of noncompliance or suspected noncompliance with provisions of laws, regulations, contracts, or grant agreements, or abuse, whose effects should be considered when preparing financial statements.
14. We have disclosed to you all known related parties and all the related party relationships and transactions of which we are aware.

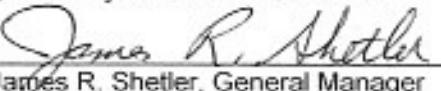
Other

15. There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
16. We have a process to track the status of audit findings and recommendations.

17. We are responsible for compliance with federal, state, and local laws, regulations, and provisions of contracts and grant agreements applicable to us, including tax or debt limits, debt contracts, and IRS arbitrage regulations; and we have identified and disclosed to you all federal, state, and local laws, regulations and provisions of contracts and grant agreements that we believe have a direct and material effect on the determination of financial statement amounts or other financial data significant to the audit objectives, including legal and contractual provisions for reporting specific activities in separate funds.
18. There are no:
- Violations or possible violations of budget ordinances, federal, state, and local laws or regulations (including those pertaining to adopting, approving and amending budgets), provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency, or for reporting on noncompliance, except those already disclosed in the financial statement, if any.
 - Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by accounting principles generally accepted in the United States of America.
 - Nonspendable, restricted, committed, or assigned fund balances that were not properly authorized and approved.
 - Rates being charged to customers other than the rates as authorized by the applicable authoritative body.
19. The Agency has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.
20. The Agency has complied with all aspects of contractual agreements that would have a material effect on the financial statement in the event of noncompliance.
21. Components of net position (net investment in capital assets; restricted; and unrestricted) are properly classified and, if applicable, approved.
22. The Agency has no derivative financial instruments such as contracts that could be assigned to someone else or net settled, interest rate swaps, collars or caps.
23. Deposits are properly classified, valued and disclosed (including risk disclosures, collateralization agreements, valuation methods, and key inputs, as applicable).
24. We acknowledge our responsibility for the required supplementary information (RSI). The RSI is measured and presented within prescribed guidelines and the methods of measurement and presentation have not changed from those used in the prior period. We have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the RSI.

Sincerely,

Balancing Authority of Northern California

Signed: 
James R. Shetler, General Manager

Signed: Russell Mills
Russell Mills, Treasurer

Signed: Lisa Limcaco
Lisa Limcaco, Controller

Digitally signed by Russell Mills
Date: 2021-02-18 13:38:00 -0800

A photograph showing two people at a wooden desk. In the foreground, a person's hand wearing a light-colored watch is writing on a piece of paper with a pen. In the background, another person's hand is gesturing with their fingers. The scene suggests a professional meeting or audit process.

Appendix B: Two-way communication regarding your audit

As part of our audit of your financial statements, we are providing communications to you throughout the audit process. Auditing requirements provide for two-way communication and are important in assisting the auditor and you with more information relevant to the audit.

As this past audit is concluded, we use what we have learned to begin the planning process for next year's audit. It is important that you understand the following points about the scope and timing of our next audit:

- a. We address the significant risks of material misstatement, whether due to fraud or error, through our detailed audit procedures.
- b. We will obtain an understanding of the five components of internal control sufficient to assess the risk of material misstatement of the financial statements whether due to error or fraud, and to design the nature, timing, and extent of further audit procedures. We will obtain a sufficient understanding by performing risk assessment procedures to evaluate the design of controls relevant to an audit of financial statements and to determine whether they have been implemented. We will use such knowledge to:
 - Identify types of potential misstatements.
 - Consider factors that affect the risks of material misstatement.
 - Design tests of controls, when applicable, and substantive procedures.
- c. We will not express an opinion on the effectiveness of internal control over financial reporting or compliance with laws, regulations, and provisions of contracts or grant programs
- d. The concept of materiality recognizes that some matters, either individually or in the aggregate, are important for fair presentation of financial statements in conformity with generally accepted accounting principles while other matters are not important. In performing the audit, we are concerned with matters that, either individually or in the aggregate, could be material to the financial statements. Our responsibility is to plan and perform the audit to obtain reasonable assurance that material misstatements, whether caused by errors or fraud, are detected.

Our audit will be performed in accordance with auditing standards generally accepted in the United States of America.

We are very interested in your views regarding certain matters. Those matters are listed here:

- a. We typically will communicate with your top level of management unless you tell us otherwise.
- b. We understand that the governing board has the responsibility to oversee the strategic direction of your organization, as well as the overall accountability of the entity. Management has the responsibility for achieving the objectives of the entity.
- c. We need to know your views about your organization's objectives and strategies, and the related business risks that may result in material misstatements.
- d. We anticipate that the Agency will receive an unmodified opinion on its financial statements.
- e. Which matters do you consider warrant particular attention during the audit, and are there any areas where you request additional procedures to be undertaken?
- f. Have you had any significant communications with regulators or grantor agencies?
- g. Are there other matters that you believe are relevant to the audit of the financial statements?

Also, is there anything that we need to know about the attitudes, awareness, and actions of the governing body concerning:

- a. The entity's internal control and its importance in the entity, including how those charged with governance oversee the effectiveness of internal control?
- b. The detection or the possibility of fraud?

We also need to know if you have taken actions in response to developments in financial reporting, laws, accounting standards, governance practices, or other related matters, or in response to previous communications with us.

With regard to the timing of our audit, here is some general information. If necessary, we may do preliminary financial audit work during the months of October-December, and sometimes early January. Our final financial fieldwork is scheduled during the spring to best coincide with your readiness and report deadlines. After fieldwork, we wrap up our financial audit procedures at our office and may issue drafts of our report for your review. Final copies of our report and other communications are issued after approval by your staff. This is typically 6-12 weeks after final fieldwork, but may vary depending on a number of factors.

Keep in mind that while this communication may assist us with planning the scope and timing of the audit, it does not change the auditor's sole responsibility to determine the overall audit strategy and the audit plan, including the nature, timing, and extent of procedures necessary to obtain sufficient appropriate audit evidence.

We realize that you may have questions on what this all means, or wish to provide other feedback. We welcome the opportunity to hear from you.

Balancing Authority of Northern California Sacramento, CA

Financial Statements
as of and for the years ended
December 31, 2020 and 2019
including
**Independent Auditors'
Report**

BALANCING AUTHORITY OF NORTHERN CALIFORNIA
TABLE OF CONTENTS
As of and for the Years Ended December 31, 2020 and 2019

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Independent Auditors' Report

To the Commissioners of
Balancing Authority of Northern California

We have audited the accompanying financial statements of Balancing Authority of Northern California as of and for the years ended December 31, 2020 and 2019, and the related notes to the financial statements, which collectively comprise Balancing Authority of Northern California's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to Balancing Authority of Northern California's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Balancing Authority of Northern California's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Balancing Authority of Northern California as of December 31, 2020 and 2019, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Baker Tilly US, LLP

Madison, Wisconsin
February 19, 2021

BALANCING AUTHORITY OF NORTHERN CALIFORNIA
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED
As of and for the Years Ended December 31, 2020 and 2019

Using this Financial Report

This annual financial report for Balancing Authority of Northern California (Agency) consists of management's discussion and analysis and the financial statements, including notes to the financial statements. The basic Financial Statements consist of the Statements of Net Position, the Statements of Revenues, Expenses and Changes in Net Position and the Statements of Cash Flows.

The Agency's accounting records are maintained in accordance with Generally Accepted Accounting Principles for proprietary funds as prescribed by the Governmental Accounting Standards Board. The Agency's accounting records generally follow the Uniform System of Accounts for Public Utilities and Licensees prescribed by the Federal Energy Regulatory Commission (FERC).

Overview of the Financial Statements

The following discussion and analysis of the financial performance of the Agency provides an overview of the financial activities for the years ended December 31, 2020 and 2019. This discussion and analysis should be read in conjunction with the Agency's financial statements and accompanying notes, which follow this section.

The Statements of Net Position provide information about the nature and amount of resources and obligations at a specific point in time.

The Statements of Revenues, Expenses and Changes in Net Position report all of the Agency's revenues and expenses during the periods indicated.

The Statements of Cash Flows report the cash provided and used by operating activities, as well as other cash sources such as investment income and debt financing, and other cash uses such as payments for debt service and capital additions.

The Notes to Financial Statements provide additional detailed information to support the financial statements.

Nature of Operations

The Agency is a joint powers authority consisting of the following California publicly owned utilities: the Sacramento Municipal Utility District (SMUD), the Modesto Irrigation District, the City of Redding, the City of Roseville, the Trinity Public Utilities District, and the City of Shasta Lake (collectively, Members). The Agency performs FERC approved Balancing Authority Area (BAA) and Planning Coordinator (PC) reliability functions that are overseen by North American Electric Reliability Corporation, nationally, and by Western Electricity Coordinating Council (WECC) in the West. The Agency also has the ability to acquire, construct, maintain, operate and finance projects for the Agency and for the benefit of any one or more of the Members. The Agency has no employees. The Agency has a contract with an industry professional to serve as the general manager. The Agency also has a contract with a legal firm to provide legal services for the Agency. An Agency Member, SMUD, serves as the Treasurer and Controller, Compliance Officer, BAA Operator and PC services provider.

Operational Highlights

The Agency continues to support the Members' desire to have the BAA provide a strong base for maintaining their independence and ability for self-determination. In 2020, the Agency's Commission reinforced its strategic direction for this goal with a focus on initiatives in the areas of:

- *Independence*
- *Assets*
- *Outreach*
- *Customer Services*

In the area of Independence, the Agency has been proactive at ensuring BAA operations are maintained in full compliance with industry standards. This has been accomplished through the proactive use of the Agency's Operations Committee, Member Compliance Review Committee, Resource Committee, and Energy Imbalance Market Committee. The Agency, through its compliance group, has been proactive in taking a risk-based approach to evaluating operational incidents, including near miss lessons-learned. The Agency has been actively engaged in evaluating market alternatives for its Members. This included the Northwest Power Pool (NWPP) market evaluation efforts. With the termination of the NWPP effort in late 2015, the Agency formally evaluated participation in the California Independent System Operator Corporation (CAISO) Western Energy Imbalance Market (WEIM). This evaluation resulted in a decision for the Agency to become a WEIM Entity and allow phased-in participation by its Members. SMUD was the first Member to become a Participating Resource Provider, with go-live in April 2019. In addition, three other Members (Modesto Irrigation District, City of Redding, and City of Roseville) and Western Area Power Administration – Sierra Nevada Region (WAPA-SNR) have decided to participate in WEIM with a go-live in late March 2021. The Agency is also an active participant with other WEIM Entities in evaluating the Extended Day Ahead Market (EDAM) with the CAISO. As proposed, EDAM will allow an expansion of CAISO participation for WEIM entities into the day ahead market. Like WEIM, EDAM participation would be voluntary, maintains the independence of the Agency BAA, and will not involve Members turning over operational control of their transmission or generation facilities to the CAISO. Based upon the results of an EDAM Feasibility Assessment conducted in 2019, the WEIM Entities and CAISO proceeded with a formal stakeholder process to develop detailed EDAM design which was initiated in 2020.

Regarding Assets, the Agency has finalized the arrangement with its BAA Operator, which is also a registered transmission operator, to determine relative responsibilities for funding facility assets. The Agency has started funding its fair share of these assets. The Agency also worked with the BAA Operator and WECC to finalize compliance responsibilities for any joint violations that might be imposed on the Agency and the BAA Operator. The Agency hired an outside consultant to develop a consolidated and integrated resource plan view for the Agency's footprint, which was completed in early 2018. This will assist the Agency in determining any operational impacts to the BAA with increased intermittent resources and potential assets that may be needed to manage the increased intermittency. The Agency worked with its Members to understand how the implementation of Senate Bill (SB)100 requirements for "zero" carbon emissions from electric generation will impact future BA operations. This includes active engagement with the oversight agencies (California Public Utilities Commission, California Energy Commission, and California Air Resources Board) and other California BAAs in supporting the development of the first assessment report on implementation of SB100.

In the area of Outreach, the Agency has been reaching out to the appropriate state and federal agencies regarding its BAA role. The Agency has been proactive in its engagement with WECC and the reliability coordinator (formerly Peak Reliability [Peak], now RC West). This includes involvement with such issues as data sharing, alternative funding for Peak, and the transition of Reliability Coordinator (RC) services from Peak to other providers. The

Agency has also been proactive in reaching out to other Publicly Owned Utilities BAAs in the West, engaging in the WEIM Regional Issues Forum, and in CAISO regionalization discussions. The Agency is also an active participant in the Western Electricity Industry Leaders (WEIL) group.

Regarding Customer Services, the Agency has worked with its Members to take on the role of PC for a part of the Agency's footprint. The Agency has contracted with SMUD to provide the PC services for participating Members. The initial study work was completed in 2017 and the Agency was fully compliant as a PC by January 1, 2018, for those Members that have elected to take PC service. In addition, the agency has assisted Members with software needs for implementation of WEIM Phase 2 in 2021.

FINANCIAL POSITION

Statements of Net Position Summary
(Dollars in thousands)

	December 31,			Change		
	2020	2019	2018	2020 vs. 2019	2019 vs. 2018	
Assets						
Current assets	\$ 3,177	\$ 3,683	\$ 2,494	\$ (506)	-13.7%	\$ 1,189
Noncurrent assets	4,948	2,501	1,500	2,447	97.8%	1,001
Total Assets	\$ 8,125	\$ 6,184	\$ 3,994	\$ 1,941	31.4%	\$ 2,190
Liabilities						
Current liabilities	\$ 3,177	\$ 3,683	\$ 2,494	\$ (506)	-13.7%	\$ 1,189
Noncurrent liabilities	4,948	2,501	1,500	2,447	97.8%	1,001
Total Liabilities	8,125	6,184	3,994	1,941	31.4%	2,190
Net position						
Unrestricted	-0-	-0-	-0-	-0-	0.0%	-0-
Total net position	-0-	-0-	-0-	-0-	0.0%	-0-
Total liabilities and net position	\$ 8,125	\$ 6,184	\$ 3,994	\$ 1,941	31.4%	\$ 2,190
						54.8%

2020 Compared to 2019

ASSETS

Current Assets decreased by \$0.5 million due to lower receivables from Members for WEIM related activities, offset by higher unrestricted cash and Due from Members.

Noncurrent Assets increased by \$2.4 million primarily due to the additional Credit Support Collateral posted by the Agency to CAISO for WEIM participation.

LIABILITIES

Current Liabilities decreased by \$0.5 million primarily due to the payment to SMUD for the Energy Management System and the decrease in Advances from Members which represents cash contributions partially offset by cash used to pay operating expenses.

Noncurrent Liabilities increased by \$2.4 million due to the additional Credit Support Collateral to CAISO funded by Members.

2019 Compared to 2018

ASSETS

Current Assets increased by \$1.2 million primarily due to receivable from Members for WEIM related activities.

Noncurrent Assets increased by \$1.0 million primarily due to the additional Credit Support Collateral posted by the Agency to CAISO for WEIM participation.

LIABILITIES

Current Liabilities increased by \$1.2 million primarily due to higher Accounts Payable to SMUD for Energy Management System and the increase in Advances from Members which represents cash contributions partially offset by cash used to pay operating expenses.

Noncurrent Liabilities increased by \$1.0 million due to the additional Credit Support Collateral to CAISO funded by Members.

RESULTS OF OPERATIONS

Summary of Revenues, Expenses and Changes in Net Position

(Dollars in thousands)

	December 31,			Change		
	2020	2019	2018	2020 vs. 2019	2019 vs. 2018	
Operating revenues	\$ 5,029	\$ 3,955	\$ 3,653	\$ 1,074	27.2%	\$ 302 8.3%
Operating expenses	(5,029)	(3,955)	(3,653)	(1,074)	-27.2%	(302) -8.3%
Operating income	-0-	-0-	-0-	-0-	0.0%	-0- 0.0%
Change in net position	-0-	-0-	-0-	-0-	0.0%	-0- 0.0%
Net position - beginning of year	-0-	-0-	-0-	-0-	0.0%	-0- 0.0%
Net position - end of year	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>0.0%</u>	<u>\$ -0-</u> 0.0%

2020 Compared to 2019

Operating Revenues increased by \$1.1 million primarily due to higher billings to Members for WEIM expenses.

Operating Expenses increased by \$1.1 million primarily due to higher payments for WEIM expenses.

2019 Compared to 2018

Operating Revenues increased by \$0.3 million primarily due to higher billings to Members for WEIM expenses.

Operating Expenses increased by \$0.3 million primarily due to higher payments for WEIM expenses.

Requests for Information

For more information about the Balancing Authority of Northern California, visit our website at www.thebanc.org or contact us at JimShetler@thebanc.org.

BALANCING AUTHORITY OF NORTHERN CALIFORNIA
STATEMENTS OF NET POSITION

	December 31,	
	2020	2019
ASSETS		
CURRENT ASSETS		
Unrestricted cash	\$ 1,710,899	\$ 1,176,786
Receivable from Members	769,576	2,254,306
Due from Members	696,292	251,986
Total current assets	3,176,767	3,683,078
NONCURRENT ASSETS		
Credit support collateral deposits	4,948,385	2,501,403
Total noncurrent assets	4,948,385	2,501,403
TOTAL ASSETS	\$ 8,125,152	\$ 6,184,481
LIABILITIES AND NET POSITION		
CURRENT LIABILITIES		
Accounts payable	\$ 1,150,059	\$ 1,575,557
Advances from Members	2,014,894	2,091,762
Other	11,814	15,759
Total current liabilities	3,176,767	3,683,078
NONCURRENT LIABILITIES		
Due to Members	4,948,385	2,501,403
Total noncurrent liabilities	4,948,385	2,501,403
TOTAL LIABILITIES	8,125,152	6,184,481
NET POSITION		
Unrestricted	-0-	-0-
TOTAL NET POSITION	-0-	-0-
CONTINGENCIES (Note 3)		
TOTAL LIABILITIES AND NET POSITION	\$ 8,125,152	\$ 6,184,481

The accompanying notes are an integral part of these financial statements.

BALANCING AUTHORITY OF NORTHERN CALIFORNIA
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

	Years Ended December 31,	
	2020	2019
OPERATING REVENUES		
Member revenues	\$ 4,363,256	\$ 3,792,863
Other	665,296	162,358
Total operating revenues	5,028,552	3,955,221
OPERATING EXPENSES		
Operations	3,067,782	1,992,855
Administrative and general	1,960,770	1,962,366
Total operating expenses	5,028,552	3,955,221
OPERATING INCOME		
	-0-	-0-
CHANGE IN NET POSITION	-0-	-0-
NET POSITION - BEGINNING OF YEAR	-0-	-0-
NET POSITION - END OF YEAR	\$ -0-	\$ -0-

The accompanying notes are an integral part of these financial statements.

BALANCING AUTHORITY OF NORTHERN CALIFORNIA
STATEMENTS OF CASH FLOWS

	Years Ended December 31,	
	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from Members	\$ 8,439,090	\$ 4,176,248
Payments to vendors	(7,904,977)	(4,017,710)
Net cash provided by operating activities	534,113	158,538
Net increase in cash	534,113	158,538
Cash - beginning of the year	1,176,786	1,018,248
Cash - end of the year	\$ 1,710,899	\$ 1,176,786
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating income	\$ -0-	\$ -0-
Adjustments to reconcile operating income to net cash provided by operating activities:		
Changes in operating assets and liabilities:		
Receivable from Members	1,484,730	(778,972)
Due from Members	(444,306)	(251,986)
Credit support collateral deposit	(2,446,982)	(1,001,403)
Accounts payable	(425,498)	923,155
Other payable	(3,945)	15,759
Advances from Members	(76,868)	250,582
Due to Members	2,446,982	1,001,403
Net cash provided by operating activities	\$ 534,113	\$ 158,538

The accompanying notes are an integral part of these financial statements.

BALANCING AUTHORITY OF NORTHERN CALIFORNIA
NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2020 and 2019

NOTE 1. ORGANIZATION AND OPERATIONS

The Balancing Authority of Northern California (Agency) is a joint powers authority (JPA) consisting of the following California publicly owned utilities: the Sacramento Municipal Utility District (SMUD), the Modesto Irrigation District, the City of Redding, the City of Roseville, the Trinity Public Utilities District, and the City of Shasta Lake (collectively, Members). The Agency performs Federal Energy Regulatory Commission approved Balancing Authority Area (BAA) and Planning Coordinator (PC) reliability functions that are overseen by the North American Electric Reliability Corporation, nationally, and by the Western Electricity Coordinating Council in the West. The Agency also has the ability to acquire, construct, maintain, operate and finance projects for the Agency and for the benefit of any one or more of the Members.

The Agency has no employees. The Agency has a contract with an industry professional to serve as the general manager. An Agency Member, SMUD, serves as the Treasurer and Controller, Compliance Officer, BAA Operator and PC service provider.

The Agency's Commission is comprised of one commissioner from each Member. The Members pay its participation percentage share of the costs associated with the operation of the Agency, with a minimum cost share of \$25.0 thousand per calendar year. The participation percentage of each Member is based on their proportional share of the annual retail load from the previous calendar year.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Method of Accounting. The accounting records of the Agency are maintained in accordance with Generally Accepted Accounting Principles for proprietary funds as prescribed by the Governmental Accounting Standards Board (GASB). The Agency's accounting records generally follow the Uniform System of Accounts for Public Utilities and Licensees prescribed by the Federal Energy Regulatory Commission. The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Use of Estimates. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. Actual results could differ from those estimates.

Cash and Cash Equivalents. Cash and cash equivalents include all debt instruments purchased with an original maturity of 90 days or less.

Custodial Credit Risk. This is the risk that in the event of the failure of a depository financial institution or counterparty to a transaction, the Agency's deposits may not be returned or the Agency will not be able to recover the value of its deposits, investments or collateral securities that are in the possession of another party. The Agency does not have a deposit policy for custodial credit risk. At December 31, 2020 and 2019, \$1.5 million and \$0.9 million of the Agency's bank balance were uninsured, respectively.

Credit Support Collateral Deposits. The Agency entered into a Western Energy Imbalance Market (WEIM) participation agreement with the California Independent System Operator (CAISO), which allows participants to buy and sell power close to the time electricity is consumed. In 2020 and 2019, the Agency contributed \$2.4 million and \$2.5 million, respectively for the collateral deposit to cover the WEIM settlement activity credit requirements. These deposits are recorded as noncurrent assets.

Receivable from Members. The Agency records as a Receivable from Members the costs incurred related to the WEIM activities.

Advances from Members. Members provide cash to the Agency in advance for operations costs. These advances are recognized as operating revenue as expenses are incurred.

Due From (To) Members. The Due from Members represents proceeds from CAISO for Members WEIM power trading activities. The Due to Members represents amounts posted by Members for the Credit Support Collateral Deposits to CAISO.

Net Position. The Agency classifies its net position as unrestricted.

Operating Revenues. The Agency invoices its Members for their respective participation percentage in accordance with the JPA agreement.

Operating Expenses. Operating expenses include the operations and administrative expenses of the Agency.

Subsequent Events. Subsequent events for the Agency have been evaluated through February 19, 2021, which is the date that the financial statements were available to be issued.

Recent Accounting Pronouncements, adopted. In January 2020, GASB issued SGAS No. 92, “*Omnibus 2020*” (GASB No. 92). This Statement addresses a variety of topics and includes specific provisions to clarify issues related to leases, intra-entity transfers, pension and postemployment benefits, asset retirement obligations, risk pools, fair value measurements, and derivative instruments. This statement is effective for the Agency in 2020 or 2022 depending on the topic. The Agency has assessed the provisions of this Statement and no topics in this statement apply to the Agency.

In May 2020, GASB issued SGAS No. 95, “*Postponement of the Effective Dates of Certain Authoritative Guidance*” (GASB No. 95). The primary objective of this statement is to provide temporary relief to governments and other stakeholders as a result of the COVID-19 pandemic. GASB No. 95 postpones the effective dates of certain provisions in statements and implementation guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later. This statement is effective for the Agency in 2020. The Agency will postpone the implementation of GASB No. 87, *Leases*.

Recent Accounting Pronouncements, not yet adopted. In June 2017, GASB issued SGAS No. 87, “*Leases*” (GASB No. 87). The objective of this statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. The statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. GASB No. 87 establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under GASB No. 87, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of

resources. This statement is effective for the Agency in 2022. The Agency is currently assessing the financial statement impact of adopting this statement.

In May 2020, GASB issued SGAS No. 96, “*Subscription-Based Information Technology Arrangements*” (GASB No. 96). This statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for governments. The statement (1) defines a SBITA as a contract that conveys control of the right to use another party’s information technology software, alone or in combination with tangible capital assets, as specified in the contract for a period of time in an exchange or exchange-like transaction; (2) establishes that a SBITA results in a right-to-use subscription asset and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in GASB No. 87, *Leases*, as amended. This statement is effective for the Agency in 2023. The Agency is currently assessing the financial statement impact of adopting this statement.

NOTE 3. CONTINGENCIES

General Contingencies. In the normal course of operations, the Agency may be party to various claims, disputes and litigation. There are no such matters pending. Thus, there are no such actions that could have a material adverse impact on the Agency's financial position or results of operations.

Balancing Authority of Northern California

Agenda Item 5C

1. ***Resolution 21-03-16 Accepting and Adopting the BANC Member Participation Percentages for 2021.***
2. **Attachment A to Resolution 21-03-16: Participation Percentages.**

**Balancing Authority of Northern California
Resolution 21-03-16**

**ACCEPTING AND ADOPTING THE BANC MEMBER
PARTICIPATION PERCENTAGES FOR 2021**

NOW, THEREFORE, BE IT RESOLVED that the Commissioners of the Balancing Authority of Northern California hereby:

1. Accept the 2021 Participation Percentages, attached hereto as Exhibit A, to be effective January 1, 2021.

PASSED AND ADOPTED by the Commissioners of the Balancing Authority of Northern California this 24th day of March, 2021, by the following vote:

		Aye	No	Abstain	Absent
Modesto ID	James McFall				
City of Redding	Dan Beans				
City of Roseville	Michelle Bertolino				
City of Shasta Lake	James Takehara				
SMUD	Paul Lau				
TPUD	Paul Hauser				

Dan Beans
Chair

Attest by: C. Anthony Braun
Secretary

Attachment A to Resolution 20-03-16

2021 (based on 2019 numbers)

Member	2019 Retail				Final for 2021
	2019 Retail Sales	Sales % (Rounded)	Final for 2020	Diff	
MID	2486	16.80%	16.60%	0.20%	16.80%
Redding	719	4.90%	5.10%	-0.20%	4.90%
Roseville	1134	7.60%	8.00%	-0.40%	7.60%
SMUD	10166	68.70%	68.20%	0.50%	68.70%
Trinity	108	0.70%	0.80%	-0.10%	0.70%
Shasta	194	1.30%	1.30%	0.00%	1.30%
	14807	100.00%	100.00%		100.00%

Conclusion for 2021: because there was a change of more than 0.2% in any Member's share from the 2020 participation percentage, the 2021 participation percentages are updated.