



## Stakeholder Comments Template

### Variable Operations and Maintenance Cost Review

This template has been created for submission of stakeholder comments on the Variable Operations and Maintenance Cost Review revised straw proposal. The proposal, stakeholder call presentation, and other information related to this initiative may be found on the initiative webpage at: <http://www.caiso.com/StakeholderProcesses/Variable-operations-maintenance-cost-review>.

Upon completion of this template, please submit it to [initiativecomments@caiso.com](mailto:initiativecomments@caiso.com). Submissions are requested by close of business on **May 26, 2020**.

Submitted by	Organization	Date Submitted
Mark Tiemens 415-973-3263	Pacific Gas and Electric Co	5/26/2020

PG&E appreciates the opportunity to comment on the CAISO's Variable Operations and Maintenance Cost Review revised straw proposal.

To fully support the proposal, PG&E requests the CAISO address several concerns:

- PG&E's experience with implementation of the Commitment Cost Enhancements Phase 3 (CCE3) initiative is that a facility's actual characteristics often do not fall into the CAISO's conceptual categorizations. The lack of alignment between theoretical frameworks and operational reality leads to discussions that are time consuming. Therefore, the CAISO should create a process for appeals, possibly using independent consultants, if negotiations do not lead to satisfactory outcomes.
- Changing the fundamental CAISO Cost Adder structure adds complexity with potential significant impacts for stakeholders. To ensure a smooth and orderly transition to this new structure, PG&E requests the CAISO adopt a 2022 implementation date to provide scheduling coordinators (SCs) adequate time to fully prepare for this change.
- Before implementing new definitions, PG&E requests the CAISO work with market participants to assess previously negotiated cost data and identify where additional data are required. PG&E would like to understand which of its resources the CAISO think will be impacted in order to get a better sense of all of the negotiations that will be needed.

- The CAISO should consider an additional three year grace period for legacy contracts to maintain old cost definitions, using the same definition of contracts as used in CCE3<sup>1</sup>. This would ease the administrative burden for both SCs and the CAISO in regards to cost negotiations for expiring contracts.

**Please provide your organization's comments on the following issues and questions.**

### **1. Proposal Component A: Establish definitions for the O&M cost components**

Please provide your organization's feedback on establishing definitions for the O&M cost components as described in section 4 (page 7). Please explain your rationale and include examples if applicable.

PG&E conceptually supports the CAISO's efforts to clarify and refine variable operations and maintenance costs. Clearly defined Tariff principles will help set expectations during cost negotiations, understanding that application of principles will get muddy when looking at a real facility.

As previously noted by PG&E, gathering data with actual cost data and clear differentiation between operations and maintenance costs is difficult in practice. Cost categorization may vary depending on different stakeholders' accounting practices and professional judgment. The CAISO should develop guidelines and provide examples of replacement costs that do not effect substantial betterment to the Generating Facility.

### **2. Proposal Component B: Refine Variable Operations Adders**

Please provide your organization's feedback on the ISO's proposal to refine variable operations adders as described in section 4 (page 12). Please explain your rationale and include examples if applicable.

PG&E understands the rationale for refining the variable operation adder definition; the proposed Variable Operations (VO) adders shift a significant portion of maintenance costs to maintenance adders. However, the proposal also represents a significant reduction to the current Variable Operations & Maintenance (VOM) adders. It is difficult to verify that the \$/MWh maintenance adders are correctly captured in the new default Maintenance Adder (MA). This may result in new negotiations of MA values that would be administratively burdensome.

---

<sup>1</sup> See CAISO Tariff Section 30.4.1.1.6.1.1, "long-term contracts that: (i) were reviewed and approved by a Local Regulatory Authority on or before January 1, 2015, or were pending approval by a Local Regulatory Authority on or before January 1, 2015 and were later approved; and (ii) were evaluated by the Local Regulatory Authority for the overall cost-benefit of those contracts taking into consideration the overall benefits and burdens"

As noted by the Department of Market Monitoring (DMM)<sup>2</sup>, SCs do not always have access to documentation necessary to apply for negotiated values. PG&E requests the CAISO consider a grace period of three year for legacy contracts to use the old definitions. This transition period would ease the administrative burden for both SCs and the CAISO in regards to cost negotiations for legacy contracts.

PG&E also requests that the CAISO work with stakeholders on development and gathering of data for VO adders of energy storage costs prior to the next triennial review.

### **3. Proposal Component C: Calculate Default Maintenance Adders**

Please provide your organization's feedback on calculating default maintenance adders as described in section 4 (page 15) as well as in the supporting calculations posted as a separate file. Please explain your rationale and include examples if applicable.

PG&E supports the concept of reasonably accurate default maintenance adders that mitigate the need for burdensome negotiations and also understands the challenges of working with disparate data sources. The proposed multi-step process adds complexity to the current process without clear benefit. Data from multiple sources demonstrate how widely variable maintenance costs differ between resources.

PG&E requests that the CAISO continue to work with stakeholders to streamline a transparent calculation methodology and reasonable default values. Ideally the CAISO would provide a default \$/MWh maintenance adder option could help facilitate the transition from a VOM adder to VO adder. PG&E notes that the CAISO has stated that conservative default MMAs will lead to fewer negotiations and the opposite is likely true. More entities will require negotiations if default MMAs are low.

### **4. Implementation of Proposal**

Please provide your organization's feedback on the suggested implementation details described in section 4 (page 24). Please explain your rationale and include examples if applicable.

PG&E requests the CAISO provide stakeholders additional time to collect operation data, update systems, and prepare for potential negotiations. As discussed earlier, to facilitate a smooth transition to the new definitions, PG&E requests the CAISO consider a 2022 implementation date and a three year grace period for legacy contracts.

---

<sup>2</sup> See page 7 <http://www.caiso.com/InitiativeDocuments/DMMComments-VariableOperations-MaintenanceCostReview-StrawProposal.pdf>