



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 straw proposal. The proposal, stakeholder meeting 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. Submissions are requested by close of business on **January 21, 2020**.

Submitted by	Organization	Date Submitted
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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 4.1. Please explain your rationale and include examples if applicable.

The Six Cities do not have specific comments on the proposed definitions at this time. Preliminarily, the proposed framework outlined by the CAISO for separating variable operations and maintenance costs for purposes of determining inputs to the CAISO's proxy costs appears to be reasonable. The Six Cities continue to evaluate the impacts of the CAISO's proposal on the individual cities that have generation resources and on the market as a whole.

In order to advance the stakeholder process, it may be useful for the CAISO to provide a comparison between proxy costs historically observed in the CAISO markets versus the costs that the CAISO would expect to see under its proposal.

Please provide your specific feedback on adding the following condition to the definition of Variable Maintenance Costs (as per page 10 of the straw proposal): "Such

costs should not represent significant upgrades to the unit or significantly extend the life of the unit.”

At this time, the Six Cities do not have a position on the inclusion of this language as part of the proposed definition. During the CAISO’s stakeholder meeting, participants raised valid concerns about how to identify costs that would fall into this category. In the Straw Proposal, the CAISO cited several factors that would distinguish between costs that are recoverable as variable from those that are not, including costs that are incurred within the unit’s lifespan, consist of replacing “like-for-like” equipment, and are in fact variable according to the unit’s operations. The feedback provided to the CAISO suggests that continued refinement of this proposed language is needed in the event that the proposed carveout is included in the definition.

Please provide your organization’s position on establishing definitions for the O&M cost components as described in section 4.1. (Please indicate Support, Support with caveats, Oppose, or Oppose with caveats)

At this time, the Six Cities neither support nor oppose the Straw Proposal.

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 4.2. Please explain your rationale and include examples if applicable.

Stakeholders, including the Six Cities, will be better able to assess the proposed VO Adders at such time as the CAISO proposes the adders.

Please provide your specific feedback on the updated technology groups proposed in section 4.1. Specifically, please provide your feedback on the relative merits of greater accuracy in the estimation of default VO adders versus the complexity and burden of assigning resources to the more-detailed technology groups.

The Six Cities do not have a position on this element of the Straw Proposal at this time.

Please provide your organization’s position on the ISO’s proposal to refine variable operations adders as described in section 4.2. (Please indicate Support, Support with caveats, Oppose, or Oppose with caveats)

At this time, the Six Cities neither support nor oppose the Straw Proposal, pending, in particular, the availability of the level of the VO Adders.

3. Proposal Component C: Calculate Default Maintenance Adders

Please provide your organization’s feedback on calculating default maintenance adders as described in section 4.3. Please explain your rationale and include examples if applicable.

The CAISO's proposed methodology for calculating the default maintenance adders appears to merit continued consideration by stakeholders and the CAISO. That methodology is complex, and it represents a significant change from the current methodology. For this reason, it merits careful consideration by the CAISO and stakeholders. The Six Cities are continuing to assess the CAISO's proposal.

In particular, stakeholders would likely benefit from additional information regarding the CAISO's data and statistical analysis supporting the 60% scalar included in the Straw Proposal.

Please provide any additional sources of O&M cost information (cost estimates, OEM recommendations, etc.) which you think would be appropriate for the ISO to review during this stakeholder process. If you would like to provide resource-specific data, the ISO can receive this information confidentiality.

The Six Cities have not identified additional data sources to recommend at this time.

Please provide your organization's position on calculating default maintenance adders as described in section 4.3. (Please indicate Support, Support with caveats, Oppose, or Oppose with caveats)

At this time, the Six Cities neither support nor oppose the Straw Proposal.

4. Implementation of Proposal

Please provide your organization's feedback on the suggested implementation details described in section 5. Please explain your rationale and include examples if applicable.

The Six Cities support retention of the option to negotiate default values. The Six Cities also concur with the CAISO's conclusion that a transition period is needed for entities with existing negotiated bid options.

Please provide your organization's position on the suggested implementation details described in section 5. (Please indicate Support, Support with caveats, Oppose, or Oppose with caveats)

The Six Cities support the implementation proposal, but urge the CAISO to continue to assess implementation issues as this stakeholder process moves forward in case changes are needed.

Additional comments

Please offer any other feedback your organization would like to provide on the Variable Operations and Maintenance Cost Review straw proposal.

The Six Cities acknowledge the CAISO's continued efforts to examine variable operations and maintenance costs as used for various proxy costs in the CAISO's markets. Based on the information provided in the Straw Proposal to

date, the Six Cities are continuing to evaluate the elements of the CAISO's proposal and considering if the proposed framework, which represents a significant modification to the existing approach, will allow the Cities with generation resources to appropriately capture their costs while not resulting in the exposure of customers within the CAISO to costs that are excessive or unreasonable.