



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 definition of Variable Maintenance Costs should allow for the inclusion of "corrective maintenance"—maintenance costs that are incurred to remedy issues caused by the starting or operation of the unit, but that were not planned. Idaho Power considers these to be one-time costs for particular work that is not known to be needed until a maintenance project begins (for example, until the unit is opened up). For example, historical experience has shown that in an overhaul, additional maintenance work that is not specifically planned is typically necessary. Parts wear out and need to be replaced that an operator is not specifically aware of until the unit is opened up. Therefore, it is appropriate and prudent to include amounts for such corrective maintenance in the Variable Maintenance Adder when the maintenance is driven by run hours, starts, or MWhrs.

Idaho Power believes the current proposed definition allows for the inclusion of such costs and requests confirmation from CAISO that these costs may be included.

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.”*

Currently, the MMA worksheets capture the major maintenance costs over the expected life of the asset. Some upgrades currently being considered by Idaho Power for our thermal plants decrease some of the expected maintenance costs currently included in the MMA. The cost of the upgrade would need to be somehow netted against the future reduction of maintenance costs if these upgrades are implemented. It seems like a significant upgrade should trigger re-negotiation of the maintenance adder with revised maintenance costs and/or unit life.

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)

IPC supports better definitions and more examples.

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.

The primary operational profile of a technology type may significantly impact the default VO Adder. Additionally, there may be site specific factors that significantly influence the variable operations costs. For example, Idaho Power operates a CCGT with zero liquid discharge. A large portion of the VO costs are associated with the water treatment and the volume of water treated directly varies with the MWhrs produced. CAISO should consider factors beyond the primary generation technology that may significantly impact VO costs.

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 default VO adders need to be reasonable for some number of actual plants. A default VO adder that is only reasonable for an average imaginary plant does not provide value. Please provide information on how the proposed default VO Adders compare to existing negotiated VOM adders.

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)

Idaho Power supports the ISO's position; however, defaults should only exist when there is enough data to support the development of a default for a defined group of plants.

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.

CAISO's proposed method for calculating the default maintenance adders appears arbitrary and results in default values that do not come close to approximating actual costs, even considering the various types of resources and operating characteristics considered. CAISO's goal in developing the defaults seems to be to allow entities who do not want to negotiate values to use the defaults as reasonable proxies.¹ The currently-proposed defaults do not appear to be reasonable proxies and thus may not meet what Idaho Power views as the ISO's the goal. If CAISO is going to go to the effort of developing default values, they should be meaningful and meet the intended purpose. The currently-proposed defaults appear more likely to result in a greater number of negotiations, rather than fewer.

On the stakeholder call some comments suggested there must be a significant variable missing from the analysis because a correlation was not visible in the plot. Idaho Power agrees with this assessment—a correlation was not apparent in the plot.

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.

No comment.

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)

Idaho Power supports the concept of default values with the caveat that the defaults should be reasonable for the common generation resources with typical dispatch profiles.

¹ See Straw Proposal at page 14.

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.

Idaho Power requests that confirmation from CAISO that entities that have negotiated Major Maintenance Adders as of January 1, 2020 will be able to continue to use those negotiated values for the corresponding Maintenance Adder categories under the new proposed framework, even beyond one year after the implementation date. The Straw Proposal is unclear on this point. The Proposal states that values negotiated during the "interim period" (i.e., after January 1, 2020, but before the implementation date) will remain in place for one year but is unclear on how long values negotiated prior to January 1 will remain in effect.²

Existing negotiated values as of January 1, 2020 continue to represent real costs and should not be arbitrarily terminated one year after the implementation of this proposal. The existing negotiated values should be transferred to the new corresponding Maintenance Adder categories and remain in effect until relevant circumstances change, as described in CAISO's Market Instruments BPM (until there is a change in a scheduling coordinator, in resource attributes, or in maintenance costs or other material items).³

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)

Idaho Power supports with the caveat that existing negotiated values map over when possible. A generation resource with a negotiated MMA for start, no VOM and no MMA Run Hour should not be required to renegotiate. Any resource without a VOM should not be required to renegotiate. An existing resource with negotiated VOM should be able to provide documentation of the "VO" and the "M" with a request to move the "M" to one of the maintenance adders.

Additional comments

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

None.

² Straw Proposal at page 20.

³ CAISO BPM for Market Instruments, page 43.