



Variable Operations and Maintenance Cost Review

Final Proposal

Stakeholder Web Conference
October 29, 2020

CAISO PUBLIC

CAISO Policy Initiative Stakeholder Process

PROPOSAL DEVELOPMENT

DECISION

IMPLEMENTATION

Issue paper

↳ Straw proposal

Draft proposal

Draft business requirement specification

Draft tariff

Final proposal

ISO Board
EIM Governing Body

Tariff filing

FERC

Business practice manual revisions
Market simulation

Go Live



Stakeholder input

This represents the typical process, and often stages of the process run in parallel.

November 2020

We are here

Agenda

Topic	Speaker
Welcome and stakeholder process	Isabella Nicosia
Introduction	Kevin Head
Stakeholder comments and changes made to Final Proposal	Kevin Head
Next steps	Isabella Nicosia

Introduction

- Today's presentation will focus on only the incremental changes to the Final Proposal in response to stakeholder comments on the Draft Final Proposal
- The VOM Cost Review initiative proposes to change how O&M costs are estimated/accounted for in ISO markets
- Through this initiative, the CAISO proposes:
 - Explicit principles to categorize O&M costs
 - Updated cost framework on which the proposed principles will apply
 - Updated default values for O&M adders that can be used by market participants in lieu of negotiations

Stakeholder Comments on Draft Final Proposal

- Comments were broadly supportive but stakeholders requested some changes and clarifications
- CAISO made changes in response to some of these comments but not for others

Stakeholder Comments (cont.)

- Alliance Energy Marketing:
 - Determining whether costs “*expected to be incurred within the service life of the resource*” may require CAISO to subjectively estimate a retirement date and result in costs being excluded
 - Scheduling coordinators and resource owners have more information about timing of maintenance activities and the expected retirement date of their resources
- CAISO response:
 - CAISO does not have all the resource’s information to derive our own assessment but still need to ensure sufficiency and accuracy of information, so CAISO will ask SC to support their request with evidence
 - CAISO won’t assess *how well* documentation supports the SC’s claim but rather only *whether or not* it supports the SC’s claim
 - Wear-and-tear that won’t be repaired is not a VM cost

Stakeholder Comments (cont.)

- Arizona Public Service:
 - Automatically escalate cost estimates annually?
- CAISO response:
 - Automatic escalation may not be appropriate but will consider inflation adjustments during triennial reviews
 - Resource-specific inflation adjustments can be negotiated
- Pacific Gas & Electric:
 - Concerns about timing and PPA-based applications
- CAISO response:
 - While the timeline in the paper is meant to be illustrative, we will change target go-live date from Oct. 1, 2021 to Jan. 1, 2022
 - CAISO still has responsibilities to ensure sufficiency and accuracy of PPA-based applications so, unless more cost data can be provided, proposed default O&M adders are best option

Stakeholder Comments (cont.)

- Puget Sound Energy:
 - Non-betterment replacements of major components should be considered Variable Maintenance costs
 - CAISO should propose default values for more granular technologies (e.g. small vs large hydro)
- CAISO response:
 - Non-betterment replacements of major components is not maintenance but rather is creating a new resource
 - Currently, not enough negotiated MMAs at this more granular level to use to cross-validate external estimates

Stakeholder Timeline

Date	Milestones
December 19, 2019	Post Straw Proposal
January 6, 2019	Hold stakeholder call on Straw Proposal
May 4, 2020	Post Revised Straw Proposal
May 11, 2020	Hold stakeholder call on Revised Straw Proposal
August 12, 2020	Post Draft Final Proposal
August 19, 2020	Hold stakeholder call on Draft Final Proposal
September 3, 2020	Stakeholder comments due on Draft Final Proposal
October 22, 2020	Post Final Proposal
October 29, 2020	Hold stakeholder call on Final Proposal
Aug. 2020 - Jan. 2021	Tariff & BRS Development
November 4, 2020	EIM Governing Body
November 12, 2020	Stakeholder comments due on Final Proposal
November 18-19, 2020	Board of Governors

Next Steps

- Submit comments on the final proposal using the online template by close of business Nov 12, 2020
 - <https://stakeholdercenter.caiso.com/Comments/MyComments/baac1102-ee0f-4bbb-ba91-70c190ab42a8>