



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. Submissions are requested by close of business on **May 26, 2020**.

Submitted by	Organization	Date Submitted
Meg McNaul mmcnaul@thompsoncoburn.com 202.585.6940	The Cities of Anaheim, Azusa, Banning, Colton, Pasadena, and Riverside, California (the "Six Cities")	May 29, 2020

Please provide your organization's overall position on the Variable Operations and Maintenance Cost Review revised straw proposal:

- Support
 Support w/ caveats
 Oppose
 Oppose w/ caveats
 No position

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.

In general, the Six Cities do not oppose the proposed definitions, including the revised definition for the term "Variable Maintenance Costs." As revised, the definition provides additional clarity.

As to the proposed definition for the term “Variable Operations Costs,” the Six Cities note that it is substantially the same as previously proposed, but now includes a reference to an “allowance” in the listing of specific exclusions. The inclusion of this word does not make sense in the context of the exclusion listing, and it should be either deleted or expanded to clarify what is being referenced here.

Please provide your organization’s position on establishing definitions for the O&M cost components as described in section 4 (page 7). (Please indicate Support, Support with caveats, Oppose, or Oppose with caveats)

The Six Cities do not oppose the proposed definitions.

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.

With respect to the Revised Straw Proposal’s reliance on a 2006 report of the California Energy Commission (“CEC”) to update the water costs used to develop the adders, were any calculations performed to update the 2006 data contained in this report to current dollars? The Six Cities are unable to determine if this was done in formulating the revised water cost values, although an escalation methodology was applied to cost components listed in the studies cited in the Nexant report at Section 2.3.1 (which does not appear to include the 2006 CEC study).

The Six Cities do not have specific comments on other aspects of the proposal.

Please provide your organization’s position on the ISO’s proposal to refine variable operations adders as described in section 4 (page 12). (Please indicate Support, Support with caveats, Oppose, or Oppose with caveats)

The Six Cities take no position on this element of the proposal at this time.

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.

The Six Cities continue to evaluate the impacts of the proposed Default Maintenance adders on the Cities’ resources. In general, use of a larger number of potential data sources, as was used in developing the default values under Option 2, appears to be preferable. The Six Cities are concerned that the Option 1 approach of relying solely on data from the New York ISO, may be unduly narrow.

However, it may be beneficial for the CAISO to drill down into the reasons for the cost differential between the Option 1 and Option 2 approaches for CTs and aeroderivative CTs. Depending on the reason and the data source driving the different results, it may be appropriate to use, for example, the Option 1 value for aeroderivative CTs in the Option 2 proposal. While maintaining a uniform set of data sources is preferred, there could be valid reasons to depart from this approach. The Six Cities are not specifically advocating for this approach at this time, but raise it for further consideration by the CAISO and stakeholders.

Please indicate your organization's preference for Option 1 versus Option 2. The ISO particularly wants to understand stakeholders' preferences regarding the balance between making assumptions about unit conversions versus the number of technology groups covered by default maintenance adders. If a different option is preferable, please indicate in detail your organization's preferred option.

The Six Cities do not have a definitive preference for Option 1 or Option 2 at this time, and acknowledge that both options have benefits and downsides. It is clear that Option 1 offers simplicity in that it relies on only one data source. However, a downside may be that the CAISO and stakeholders would need to transition to a new source in the event that the Option 1 data becomes unavailable or is revised in a way that makes it no longer suitable for purposes of establishing default costs for use in the CAISO. In addition to the aforementioned suggestion of a blended approach, the CAISO could consider use of the Option 1 values as a default and revert to Option 2 if the Option 1 data sources become unavailable or are revised in a way making them unsuitable for continued use.

If your organization has additional sources of maintenance cost data that it would like the ISO to consider, please provide these sources.

The Six Cities do not have additional data sources for consideration at this time.

Please provide your organization's position 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 indicate Support, Support with caveats, Oppose, or Oppose with caveats)

The Six Cities take no position on this element of the proposal at this time.

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.

With respect to the CAISO's proposal to immediately convert resources with negotiated VOM adders to the revised approach, the CAISO should ensure that resources that will need to renegotiate their adders have the opportunity to do so before the new default values are applied, particularly if application of the revised default values is likely to result in material underrecovery of costs.

Please provide your organization's position on the suggested implementation details described in section 4 (page 24). (Please indicate Support, Support with caveats, Oppose, or Oppose with caveats)

The Six Cities oppose with caveats the CAISO's proposal on implementation, pending a proposal of a transition period for resources with existing negotiated values to engage in new negotiations with the CAISO.

Additional comments

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

The Six Cities do not have additional comments at this time.