

138 FERC ¶ 61,173
FEDERAL ENERGY REGULATORY COMMISSION
WASHINGTON, D.C. 20426

March 15, 2012

In Reply Refer To:
California Independent System Operator
Corporation
Docket No. ER12-806-000

Nancy Saracino
General Counsel
California Independent System Operator Corporation
250 Outcropping Way
Folsom, CA 95630

Reference: Variable Operations and Maintenance Cost Adder Tariff Amendment

Dear Ms. Saracino:

1. On January 13, 2012, the California Independent System Operator Corporation (CAISO) filed tariff revisions to increase the number of variable operations and maintenance (VOM) cost default values from two to ten. CAISO's proposed default VOM values range from zero to five dollars per MWh depending on the generation type. CAISO's tariff revisions are accepted, effective April 1, 2012, as discussed below.¹

2. Notice of CAISO's Filing was published in the *Federal Register*, 77 Fed. Reg. 3468 (2012), with protests and interventions due on or before February 3, 2012. No protests were filed. Timely motions to intervene were submitted by Modesto Irrigation District, California Department of Water Resources State Water Project, the City of Santa Clara, California and the M-S-R Public Power Agency, and, collectively, NRG Power Marketing LLC, Cabrillo Power I LLC, Cabrillo Power II LLC, El Segundo Power LLC, Long Beach Generation LLC and NRG Solar Blythe LLC. Pursuant to Rule 214 of the

¹ CAISO requests the Commission to accept the proposed tariff revisions by March 16, 2012. CAISO states that this will allow it sufficient time to update the VOM cost default values in its spring 2012 full network model, which is scheduled to go into effect on April 1, 2012.

Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.214 (2011), the timely, unopposed motions to intervene serve to make the entities that filed them parties to this proceeding.

3. VOM values intend to capture the variable non-fuel costs associated with operating a generation resource at or above its minimum operating level. CAISO explains that currently the tariff provides for two default VOM values of \$4 per MWh for Combustion Turbine and Reciprocating Engine Technology, and \$2 per MWh for other generation resources. CAISO instead proposes to establish ten default VOM values depending on generation type as follows: (1) Solar at \$0.00 per MWh; (2) Nuclear at \$1.00 per MWh; (3) Coal at \$2.00 per MWh; (4) Wind at \$2.00 per MWh; (5) Hydro at \$2.50 per MWh; (6) Combined Cycle and Steam at \$2.80 per MWh; (7) Geothermal at \$3.00 per MWh; (8) Landfill Gas at \$4.00 per MWh; (9) Combustion Turbine & Reciprocating Engine at \$4.80 per MWh; and (10) Biomass at \$5.00 per MWh. CAISO states that these resource-specific values may be negotiated with CAISO or the Independent Entity charged with calculating the default energy bids.

4. We will accept CAISO's tariff revisions to establish new default VOM values, which are based on the average VOM that is applied across a class of generators in CAISO's system. Increasing the number of operations and maintenance adder values from two to ten appropriately accounts for the difference in operations and maintenance costs by generation technology and fuel type. Accordingly, we find that CAISO's revisions are as just and reasonable, and we will accept them effective April 1, 2012. We note that that, pursuant to section 39.7.1.3.2 of the CAISO tariff, CAISO must include any negotiated VOM adder values in informational reports filed with the Commission.

By direction of the Commission.

Kimberly D. Bose,
Secretary.

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