

# Stakeholder Comments

## Variable O&M Cost Review

Submitted by	Company	Date Submitted
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NCPA thanks CAISO and Nexant for presenting the proposed updated Variable Operations & Maintenance Cost Adders and appreciates the opportunity to submit comments. NCPA is concerned with three main areas: 1) the significant cost decrease for some plant types; 2) omission of “other maintenance”; and 3) lack of California specific inputs in the Study.

NCPA believes that some of the VOM adders, renewable rates in particular, are within reason. However, while the current Tariff rates for combustion turbines, combined cycle, and geothermal plants are reasonable, the proposed rates plunged by an order of magnitude in some cases and are not reflective of actual VOM costs incurred by resources in the CAISO fleet. NCPA respectfully requests side by side comparison of current and proposed rates for such plant types to help better understand the change and perhaps discover any errors or omissions in the study.

The next issue involves section 2.1.3 regarding Other Maintenance Costs and the statement on page 3 in the study that such “costs are not included in the VOM values in this report.” While exclusion of Other Maintenance Costs from VOM might be acceptable on its own, unlike the Major Maintenance Costs referenced in section 2.1.2, there is no explicit default energy bid component associated with Other Maintenance Costs therefore NCPA seeks further clarification of how CAISO expects resources to recover these costs.

Finally, there is no evidence that any California specific data was factored into the study. The study relied on existing Public Information and used information from studies for PJM, NYISO, and Texas. Any study used to estimate CAISO VOM costs should focus mostly on California input since that state has the largest fleet in the EIM. Costs associated with labor, waste management, water management, chemicals, etc. are much higher in this state than the national average. NCPA suggests that Nexant perform a new study for use in its VOM Cost Estimation. Such a study should poll weighted average data from EIM balancing authority areas.

In conclusion, NCPA cannot support the proposed rates in general, and specifically opposes proposed rates for combustion turbines, combined cycle, and geothermal plants due to the items listed above: 1) the significant shift in rates, 2) omission of Other Maintenance, and 3) use of cost inputs from states outside of the EIM. NCPA respectfully requests a follow up study comparing and contrasting the compositions of VOM rates approved and proposed since 2012, an explanation of the mechanism for recovering Other Maintenance Costs, and more information specific to California fed into the cost estimates.