



# Variable Operations and Maintenance Cost Review - 2023


Final proposal and draft tariff language  
August 31, 2023

CAISO PUBLIC

# Housekeeping reminders

- This call is being recorded for informational and convenience purposes only. Any related transcriptions should not be reprinted without ISO's permission.
- Meeting is structured to stimulate dialogue and engage different perspectives.
- Please keep comments professional and respectful.
- Please try and be brief and refrain from repeating what has already been said so that we can manage the time efficiently.

## Instructions for raising your hand to ask a question

- If you are connected to audio through your computer or used the “call me” option, select the raise hand icon  located on the bottom of your screen.
- **Note:** #2 only works if you dialed into the meeting.
  - Please remember to state your name and affiliation before making your comment.
- If you need technical assistance during the meeting, please send a chat to the Event Producer.
- You may also send your question via chat to either Kaitlin McGee or to all panelists.

# Agenda

Time	Topic	Presenter
11:00-11:05	Welcome	Kaitlin McGee
11:05-11:10	Presentation of final proposal	Kevin Head
11:10-11:20	Q&A on final proposal	Kevin Head
11:20-11:25	Presentation of draft tariff language	Sarah Kozal
11:25-11:35	Q&A on draft tariff language	Sarah Kozal
11:35-11:40	Next steps	Kaitlin McGee

# Summary

- In draft final proposal, the CAISO proposed to apply a 16% inflation increase to the default VOM adder values based on inflation from Dec 2019 to Dec 2022
- Stakeholder feedback included a request to use a more recent inflation adjustment reference point
- Based on this feedback, CAISO changed the reference point to June 2023 resulting in an 18.73% increase when compared to Dec 2019

## Background

- Scheduling coordinators use VOM adders to reflect their cost of operations (e.g. consumables) and maintenance (e.g. wear-and-tear) in CAISO markets
- VOM adders are used in the calculation of:
  - Default energy bids (used to replace bids if resource is mitigated in the market power mitigation process)
  - Default commitment costs (used to cap the minimum load cost and startup cost bids submitted by SCs)
- VOM adders are set at “default” values or can be negotiated if the default values are insufficient

## The CAISO appreciates the comments submitted by Salt River Project (SRP) which included:

- SRP: Request for CAISO to review default VOM adders more frequently (e.g. annually).
- CAISO response: The negotiated option exists if the existing defaults are inadequate.
- SRP: Request to use a forward-looking indicator of inflation, rather than a retrospective one. If not, request to use a more recent inflation reference point.
- CAISO response: CAISO believes that, given the uncertainty of future inflation rates, using a forward-looking indicator isn't appropriate at this time. However, we do believe using a more recent inflation reference point is reasonable, see next slide.

# Proposal

- CAISO proposes to adjust default VOM adders using an adjustment based on CPI from the US Bureau of Labor Statistics from Dec 2019 to Jun 2023 (18.73% increase)

Technology Type	Pre-Update Values			Post-Update Values		
	Default VOM-EN (\$/MWh)	Default VOM-ML (\$/run-hour/MW)	Default VOM-SU (\$/start/MW)	Default VOM-EN (\$/MWh)	Default VOM-ML (\$/run-hour/MW)	Default VOM-SU (\$/start/MW)
Coal	2.69	-	-	3.19	-	-
Steam turbines	0.33	-	-	0.39	-	-
Natural gas-fired combined-cycle	0.59	1.74	-	0.70	2.07	-
Frame combustion turbines	0.97	-	52.13	1.15	-	61.89
Aeroderivative combustion turbines	2.15	4.38	-	2.55	5.20	-
Reciprocating internal combustion engines	1.10	-	-	1.31	-	-
Nuclear	1.08	-	-	1.28	-	-
Biomass	1.65	-	-	1.96	-	-
Geothermal	1.16	-	-	1.38	-	-
Landfill gas	1.21	-	-	1.44	-	-
Hydroelectric	-	0.65	-	-	0.77	-
Solar	-	-	-	-	-	-
Wind	0.28	-	-	0.33	-	-
Other (e.g., storage, non-generating resources)	-	-	-	-	-	-



## Next Steps

- Stakeholders are encouraged to submit comments using the commenting tool linked on the initiative webpage no later than September 14, 2023
- Visit initiative webpage for more information:  
<https://stakeholdercenter.caiso.com/StakeholderInitiatives/Variable-operations-maintenance-cost-review-2023>
- CAISO staff expects present to the CAISO Board of Governors and WEIM Governing Body as a joint decisional item on September 20
- If you have any questions, please contact [ISOStakeholderAffairs@caiso.com](mailto:ISOStakeholderAffairs@caiso.com)

*Please note that the dates above are tentative until the CAISO publishes a notice formally confirming them*