

Western Power Trading Forum on Variable Operations and Maintenance Cost Review Carrie Bentley - Gridwell Consulting for WPTF - Cbentley@gridwell.com

The Western Power Trading Forum

The Western Power Trading Forum (WPTF) is a California nonprofit, public benefit corporation. It is a broad-based membership organization dedicated to enhancing competition in Western electric markets while maintaining the current high level of system reliability. WPTF supports uniform rules and transparency to facilitate transactions among market participants. The membership of WPTF and the WPTF CAISO Committee responsible for providing these comments include CAISO and EIM entities, load serving entities, energy service providers, scheduling coordinators, generators, power marketers, financial institutions, and public utilities that are active participants in the California market, other regions in the West, and across the country.

Summary

WPTF supports the CAISO continuing to have default Variable Operations and Maintenance (VOM) costs by category in addition to allowing a resource-specific VOM through the negotiated default energy bid process. WPTF also appreciates the challenges in creating these default VOMs. WPTF observes that 2018 Nexant report differs significantly in methodology from the previous study, which creates some uncertainty on what should be included in VOM costs. Given this confusion, WPTF supports the CAISO providing a formal definition for VOM costs. Additionally, WPTF believes more work is needed to refine the report VOM costs so that they are applicable to the west-coast and more work is needed to explain the reasoning behind the significant changes in VOM that many resources will face.

Detailed Comments

Definition of Variable Operations and Maintenance Costs

WPTF supports the points made on the January 8, 2019 call by both Pacific Gas and Electric and Seattle City Light and asks the CAISO to provide a formal definition for VOM Costs in the tariff. This is particularly important so that stakeholders are clear on what the default and negotiated default energy bid includes for VOM and major maintenance. For example, there is a category called “other maintenance” that appears in both the 2011 and 2018 VOM reports, but because of the lack of definition surrounding VOM, it is unclear where these costs should be included.

West coast-specific costs

As was also noted on the January 8, 2019 call, the independent report surveyed VOM costs across the country, which are not perfectly applicable to west-coast resources. While WPTF appreciates the CAISO’s point that a resource may always enter the negotiated default energy bid process and provide actual VOM costs, it seems unreasonable to have knowingly wrong VOMs included in the default energy bids for the majority of California CCGTs and CTs. A review of public Reliability Must Run contracts for the Calpine units’ Metcalf, Yuba, and Feather River illustrates the potential cost differences.¹

¹ For Feather River, the VOM rates for 2019, 2020, 2021 and 2022 are \$4.16/ MWh, \$4.24/MWh, \$4.33/MWh and \$4.41/MWh, respectively, and for Yuba City the VOM rates are \$2.59/MWh, \$2.64/MWh, \$2.69/MWh and \$2.75/MWh, respectively. Metcalf, a CCGT, has an approved VOM of \$1.52 for 2018 – 2020 and would receive \$.38 under the proposal.

In particular, WPTF supports the VOM being scaled upward to reflect the higher California-specific costs related to water, taxes, and chemical transportation.

Significant change in hydroelectric default energy cost

WPTF has no specific insights into whether a \$0/MWh VOM cost for hydroelectric resources is reasonable; however, it is a significant change from the previous default VOM. WPTF is unaware of anything external that would cause a change in hydroelectric VOM, and therefore believes that this change must reflect a policy decision by the CAISO on what is appropriate to include (or not include) in the hydroelectric VOM. WPTF asks that the CAISO elaborate on the change and provide an additional explanation on the reasonableness of the costs included the current VOM that are being removed in the proposed hydroelectric VOM.

Implementation Timing

WPTF asks that the CAISO clarify (1) when the new VOMs will be implemented, and (2) whether the implementation will be within the standard Fall/Spring release or an independent release once approved by FERC?

WPTF thanks the CAISO for consideration of our comments.