

**COMMENTS OF THE  
INDEPENDENT ENERGY PRODUCERS ASSOCIATION  
REGARDING DRAFT GENERATOR MAINTENANCE STANDARDS**

Pursuant to the schedule established at the December 20, 2002 meeting of the California Electricity Generation Facilities Standards Committee (“Committee”), the Independent Energy Producers Association (“IEP”) respectively presents these comments on the Draft Generation Maintenance Standards (“Draft Standards”) circulated by ALJ Sullivan on December 19, 2002. Development of the Draft Standards is required under Public Utilities Code Section 761.3.

**I. Background**

IEP is a nonprofit trade association representing the interests of electric generators in California. The majority of IEP’s membership consists of owners and operators of exempt wholesale generators and qualifying facility projects using cogeneration, solar-thermal, wind, biomass and geothermal technologies. IEP’s members collectively own and operate more than 20,000 MW of installed generating capacity, and many are ready to pursue generation projects when the regulatory and commercial environment will support their development.

IEP’s comments are intended to assist the Committee in the timely finalization of the Draft Standards consistent with the industry’s need to have a set of Standards that provide clear instructions as to the type of maintenance efforts that will comport with the Committee’s intentions while simultaneously avoiding unnecessary regulatory reporting burdens or expenses. Consistent with this goal, IEP supports the recommendation that the Committee have a technical discussion or roundtable to allow dialogue on the Draft Standards after the parties provide their comments.

IEP believes that the unit availability problems seen during the winter of 2000/2001 have been squarely addressed by the implementation of the California Independent System Operator

(“CAISO”) Outage Coordination Protocols found in the CAISO Tariff. The CAISO Tariff provisions are intended to provide a timely and orderly scheduling of maintenance outages relative to overall capacity needs. IEP is not aware of any report indicating that poor maintenance practices were the root cause of unit unavailability during that time.

## **II. IEP Comments On Committee’s Draft Standards**

### **A. The Committee Should Promulgate “Standards” and Avoid Prescriptive “Guidelines.”**

The Draft Standards present a number of maintenance “standards” followed by “assessment guidelines.” When promulgating its standards, the Committee should make clear that the “standards” are the controlling elements against which maintenance performance is measured, and that the “assessment guidelines” are intended solely as suggestions—not determining factors—for investigation of compliance with the standards. As noted during the CAISO presentation, evaluation of unit performance better accommodates the diversity of the generation fleet, rather than development and application of generic prescriptive maintenance program guidelines or requirements.<sup>1</sup> The Standards (or guidelines) should avoid imposing requirements on the use of particular maintenance practices or workers at particular sites.

To this end, IEP recommends that some language removed from the CAISO document regarding the intent of the standards be added back into the Draft Standards. Specifically, the following language should be included in the Standards:

When conducting an audit, the CPUC auditors shall focus on whether or not the generating asset owner is meeting the intent of the Standards, as certified, rather than satisfaction of each and every element in its associated guideline.

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<sup>1</sup> See December 20, 2002 Committee Meeting Reporter Transcript (“RT”), comments of Mr. Pettingill, page 50, lines 2-7.

Secondly, IEP recommends separating any “assessment guidelines” from the main body of the document and relocating them within Appendix A to the Standards themselves as illustrative suggestions. This approach—clearly identifying the standards from assessment guidelines—will help avoid confusion and uncertainty as to what constitutes the “Standards” with which generators must certify compliance. Furthermore, this approach will clarify that the incorporation of the guidelines is illustrative of means to achieve the Standards but not proscriptive standards in and of themselves.

**B. The Standard Should Recognize The Role Of Commercial Maintenance Agreements And Warranties.**

Plant performance factors need to consider individual facility contractual and commercial requirements, which directly impact timing and duration of outages. Commercial availability factors are a more appropriate metric for assessing performance of a facility. It is appropriate for a facility to perform additional work during contractual off-peak periods in order to increase the facility reliability in peak periods. Standard availability metrics do not reflect this factor and may cause incorrect conclusions to be made about the facility's maintenance program. Metrics also needs to be benchmarked against similar technologies of similar characteristics and vintages.

Outage scheduling and timing for many facilities' maintenance is not discretionary and is dictated by long-term service agreements (LTSA's) held by many facilities. Under a typical LTSA, a facility is required to perform outages at defined intervals based on equivalent operating hours (EOH). EOH are typically derived from a combination of operating hours, number of starts and other operating parameters affecting the life of the equipment. LTSA's typically require that outages be performed within a certain interval, usually containing a control band to

provide limited scheduling flexibility. Failure to comply with the LTSA outage requirements could result in loss of warranty from the Original Equipment Manufacturer and may violate insurance provisions for the facility.

In general, the Standards contain provisions and metrics, which seem to be more appropriate for utility operation in which cost recovery mechanisms are provided for reliability improvements. Should these Standards require a merchant facility to increase its spare parts inventory, add redundant equipment, develop new, elaborate maintenance documentation or add unnecessary staffing, there is no corresponding cost recovery mechanism in place. Over the long-run, retail customers may face higher rates as generators attempt to pass on elevated costs through the power purchase contracts.

**C. The Performance Metrics Should Reflect Expected Resource Operations And Characteristics, And Not Create Perverse Incentives Or Inappropriate Penalties.**

The Standards should encourage and review performance of units in recognition of their technology, vintage, unique operating characteristics (including unique equipment), expected operating life and regulatory constraints. Presuming that all units must be available at all times over the year is not appropriate. The Standards must accommodate commercially driven operational requirements. Excessive unit ramping due to CAISO dispatch instructions or multiple daily start-ups for dispatchable peaking resources may actually increase maintenance requirements as compared to units providing baseload or block energy deliveries. IEP firmly believes that availability can be best incentivized through bilateral commercial arrangements.

Metrics used to evaluate performance with the Standards should avoid creating perverse incentives or inappropriate penalties. Metrics should reflect the expected operating profile for a unit so that an old peaker is not held to a performance expectation appropriate for a new baseload

plant, and similarly an old baseload plant is not held to the same standards as a new facility. The Standards should avoid creating incentives to “shape” the individual unit’s baseline performance metric. Similarly, units with an exemplary operations history may have a higher than average “baseline” metric. If that unit then experiences more typical operations, the metrics proposal could then trigger a review if the trigger used the elevated baseline metric, notwithstanding the fact that the unit is at least achieving performance consistent with typical resources of that technology and vintage.

With regard to establishing benchmarks for new generating assets, it is important to recognize that no two units are exactly alike and therefore the proposed “comparison with like type units” (Section 2. III.B - page 15) is inherently inaccurate. There has to be an allowance for the differentiation between unique equipment (e.g., water treatment, environmental controls, etc.) as well as commercially driven performance requirements (e.g., cycling up and down, thereby increasing maintenance attention). In addition, new plants will inevitably experience increased downtime in their first year as a result of lingering start up/shake down problems; it is inappropriate to compare them to plants that have been operating for long periods of time.

**D. The Standards Should Avoid Creating A “Catch-22” Or Confusing Directives For Facility Owners and Operators.**

IEP is concerned that a potential “Catch-22” could develop with respect to the regulatory efforts concerning facility maintenance. There is a potential that the Committee’s efforts (including the potential for penalties noted in the Draft Standards) could conflict with the “Oversight & Investigation” (“O&I”) efforts at the CAISO such that facility operators face penalties for either failing to quickly take a unit down for preventative actions or allowing a facility to operate until failure. Moreover, the CAISO’s Tariff also dictates the precise timing of

maintenance outages—with recognition of LTSAs—and can influence the duration of maintenance outages. The Standards should acknowledge these commercial realities.

The Committee’s Draft Standards—including subsequent implementation by the CPUC—should clearly indicate that if a facility is acting in compliance with the Standards, its actions are presumptively reasonable in terms of avoiding unnecessary extended outages. The Catch-22 potentially exists where the Committee’s Standards suggest investigations and potential penalties with respect to maintenance practices (and therefore direct specific behavior by the asset owners) and the CAISO’s O&I proposal also includes investigation and penalties (\$110,000 per “event”) for taking a unit down for investigation or preventative maintenance (on the grounds of “physical withholding”) or investigations and penalties for extended outages for failure due to poor maintenance.<sup>2</sup> These efforts (including implementation) must be coordinated to eliminate confusing and potentially conflicting signals to the asset holders.

**E. The Standards Should Apply Only To Generation Facility Equipment And Assets Under Control Of The Owners and Operators.**

The Draft Standards include new language that could be interpreted to expand the scope of assets that are subject to the Standards to include equipment or facilities that are not typically considered generation equipment. The scope of the Standards’ application should be limited to the generation facility. The added language reads as follows:

Maintenance procedures and documents should include the generation equipment and all those components owned by the generation owner directly connected to the plant that are an integral part of delivering power to the grid including fuel supply systems, electrical switchyards, transmissions lines, penstocks, flumes, exhaust system, etc.

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<sup>2</sup> CAISO’s O&I proposal includes a new “Enforcement Protocol” and revisions to other tariff provisions. CAISO expects to file this proposal with the FERC within the month.

Certain assets, including transmission lines and gas lines, are most likely utility property not under the control of the generation asset owner, and hence would be excluded from the generation facility subject to the Standards. These facilities would be operated and maintained by utilities, pursuant to existing regulations and contracts (such as “special facility agreements”). Other than the references provided in this new language, nowhere else do the Standards assert that they are applicable to the maintenance of transmission or gas facilities. IEP suggests that these references be removed.

**F. The Standards Should Use Existing Reporting Requirements and Avoid Additional or Conflicting Requirements.**

The Standards, and their implementation, should leverage existing reporting requirements and avoid additional or conflicting requirements. If reporting is required under the Standards can utilize the reporting data provided for other means (by routing CAISO outage reports to the CPUC, for example), the reporting process will be more efficient and timely. IEP recommends, for example, that the Standards utilize information required by the CAISO Tariff (including the Outage Coordination Protocol), or GADS reporting (since that existing database could be used to develop performance metrics). Additional reporting requirements (including incremental modifications to existing report formats) or other maintenance procedure documentation should *not* be imposed unless a unit fails to achieve reasonable performance measures.

**III. Conclusion.**

IEP thanks the Committee for this opportunity to provide comments on the Draft Standards. To make the most of parties’ comments, the Committee should consider a one-day round table or technical conference to allow dialogue on these issues prior to undertaking revisions to the Draft Standards. The Committee should make clear that the generators are

expected to achieve the intentions inherent in the standards, and that the various guidelines (both the assessment guidelines and the Appendix A guidelines) are only illustrative of possible compliance approaches.

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Respectfully submitted,

Electronically submitted

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