

California Electricity Generation Facilities Standards Committee
Proposed Operations Standards

October 1, 2004

Mr. Carl Wood
Presiding Officer
California Electricity Generation Facilities Standards Committee
505 Van Ness Avenue
San Francisco, CA 94102

RE: Joint GAO Revisions to the Proposed Operations Standards and Guidelines Following the Staff Workshops.

Dear Presiding Committee Member Wood:

Pursuant to the discussions during the September 20 and 21, 2004 workshops regarding the Proposed Operations Standards and Guidelines (“Operations Standards”), the Generating Asset Owners (“GAOs”) were invited by the Staff of the California Electricity Generation Facilities Standards Committee (“Committee”) to propose revisions. The attached Joint GAO Revisions represent a significant joint effort on the part of the GAOs to capture various changes to the draft document that will clarify the Operations Standards and provide a basis for compliance that reflects the diversity of ownership, technology and vintages found in California’s generation fleet.

The GAOs participating in this joint effort include: Pacific Gas and Electric Company, Southern California Edison Company, San Diego Gas & Electric Company, AES Alamosa LLC, AES Huntington Beach LLC, AES Redondo Beach LLC, Calpine Corporation, Duke Energy North America (on behalf of Duke Oakland, LLC, Duke Energy Moss Landing, LLC, Duke Energy Morro Bay, LLC and Duke Energy South Bay, LLC), FPL Energy, High Desert Power Project, LLC, La Poloma Generating Company, Mirant California, LLC, West Coast Power LLC (on behalf of El Segundo Power, LLC, Long Beach Generation LLC, Cabrillo Power I LLC, and Cabrillo Power II LLC), Reliant Energy Coolwater, Inc., Reliant Energy Etiwanda, Inc., Reliant Energy Mandalay, Inc., and Reliant Energy Ormond Beach, Inc.¹

The Joint GAO Revisions reflect issues discussed in the workshops. The majority of the changes reflect the important distinction between the “standards” and the related “guidelines”. Specifically, the Joint GAO Revisions clarify that the Operations Standards will explicitly require compliance with the enunciated “standards,” but that the additional materials set out in the associated “guidelines”—while demonstrative of the intent of the standards—are not intended to be the basis of enforcement actions. As discussed at length during the workshops, this distinction is critical because it maintains an appropriate focus on the standards without necessarily requiring the extensive and unnecessary costs associated with a detailed gap analysis of the numerous guidelines. The GAOs’ concerns were highlighted when this important distinction was carried through in the context of

¹ The listed entities have authorized the undersigned to represent their support for the Joint GAO Revision. The non-jurisdictional GAOs, including all Exempt Wholesale Generators, reserve all rights to challenge actions by the Committee or the CPUC with respect to the applicability or scope of proposed regulations and the statute, and hereby reiterate all their prior assertions of rights. By voluntarily participating before the Committee and the CPUC, these non-jurisdictional GAOs in no way waive any rights or arguments, and hereby reiterate all their prior statements in this respect. The jurisdictional public utility electrical corporations express no opinion with respect to this reservation of rights.

implementing the Committee's earlier Maintenance Standards where a detailed matrix sought documentation of GAO compliance with each guideline. Accordingly, changes were made throughout the document, including Standard 28, to make clear that the guidelines are areas to be considered by the GAOs in the context of complying with specific standards, but are not themselves "standards" by which compliance is measured. Other revisions found throughout the Joint GAO Revision provide necessary clarifications to avoid any potential misinterpretation that certain standards require specific management structures or otherwise intrude into areas of labor relations.

The Joint GAO Revisions also consolidate draft Operations Standards 22-26 regarding "Readiness and Long-Term Shutdown or Storage". The consolidation was undertaken in light of the significant overlap in the subject matter across those standards, the degree of duplication with other standards, and the understanding that the Operations Standards themselves are not the mechanism for assuring the long-term viability of capacity in California. From the GAOs' perspective, generation assets likely to be candidates for a long-term lay-up or retirement have been rejected in the wholesale marketplace. These types of assets were not selected by the utilities as part of their procurement efforts (including compliance with any applicable Resource Adequacy Requirement or other local area reliability need) because they were not considered competitive. Similarly, these assets were not selected by the California Independent System Operator ("CAISO") for Reliability Must-Run contracts because CAISO did not consider them necessary for grid reliability. Accordingly, the Joint GAO Revision makes clear that assets not otherwise retired or standing by under long-term shutdown or storage activities, will maintain "readiness" pursuant to the standard commensurate with their capability and economic status.

The GAOs appreciate the dialogue that occurred during the Committee Staff workshops and believe that it was a very valuable process for both Staff and the other participants. The Joint GAO Revisions represent a conscientious and expedited effort to provide a thorough response to the Committee Staff consistent with those discussions. In addition to this joint effort, the GAOs may independently present additional comments on the Operations Standards to provide their particular perspective.

Respectfully submitted,

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On Behalf of the Joint GAOs

CC: Presiding Member Wood (hard copy)
ALJ Mattson (hard copy)
CPUC Commissioners (electronic copy)
All Parties in CPUC Rulemaking R.02-11-039 (electronic copy)