

Storage as a Transmission Asset

Stakeholder Comment Template

Submitted by	Company	Date Submitted
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Please use this template to provide your comments on the Storage as a Transmission Asset second revised straw proposal that was posted on October 16, 2018.



Submit comments to InitiativeComments@CAISO.com

Comments are due November 6, 2018 by 5:00pm

The second revised straw proposal, posted on October 16, 2018, as well as the presentation discussed during the October 23, 2018 stakeholder meeting, may be found on the [Storage as a Transmission Asset](#) webpage.

Please provide your comments on the second revised straw proposal topics listed below, as well as any additional comments you wish to provide using this template.

Cost Recovery Mechanism

The ISO has proposed three alternative cost recovery mechanisms in the straw proposal:

1. Full cost-of-service based cost recovery with energy market crediting
2. Partial cost-of-service based cost recovery with no energy market crediting
3. Full cost-of-service based cost recovery with partial market revenue sharing between owner and ratepayer

Additionally, the ISO envisions two potential scenarios for option 1: Direct assigned SATA projects and 2) when the project sponsor bids into TPP phase 3 competitive solicitation process, selecting this option. The ISO has proposed the rules governing SATA bidding and cost recovery eligibility would differ slightly between these two scenarios. Please provide comments on these three options, including the two scenarios under option 1 and any other options the ISO has not identified.

Comments:

Enel X appreciates the opportunity to submit these comments. Enel X supports Option 3, with the proviso that market revenue sharing between owner and ratepayer occur after the cost of service is recovered.

While all 3 of these cost recovery mechanisms have their positive and negative attributes, as discussed in the paper, they are all relatively consistent with the January 19, 2017 FERC's Policy Statement on Storage (Policy Statement). The Policy Statement recognized the importance of allowing storage to realize its full market value by providing multiple services in the wholesale market, and the ability to reduce its costs, and increase its cost competitiveness, by recognizing other market revenues. In fact, the Policy Statement laid out several scenarios for cost recovery, including full cost recovery with full market crediting, partial cost recovery with partial market crediting and no cost recovery with no market crediting. Some of these considerations also included taking into consideration the percentage of the storage project that would be used to meet the need identified in the Transmission Planning Process (TPP).

CAISO presents some alternatives to the Policy Statement. Option #1 is consistent with the Policy Statement. Option #2 is a variation of the Policy Statement in that Partial cost-based recovery would receive no energy market crediting. This option was requested to be removed by some commenters. #3 is a variation of #1, which is that full cost-based recovery with some revenue sharing mechanism for market revenues to be credited against the cost-based recovery and the remainder would be retained by the resource owner.

The CAISO states that Option #1 creates very little incentive for the resource to participate in the market, since all of the revenues will go to reducing the cost-based recovery. This is probably true. The resource would be run in a manner most closely related to its transmission need without seeking additional revenue opportunities. Option #3 clearly creates the incentive for participating in the market, but requires some agreement between the CAISO and the asset owner as to the appropriate share of the market revenues. This may require negotiations to be more individualized versus standardized as the market revenue threshold may vary by resource type. But, this would balance the incentives

between the resource owner to maximize the utilization of the resource, while reducing the cost to the ratepayers. To minimize some of the concern about when market sharing would occur, it would make sense to apply a revenue sharing model after the resource has recovered its cost-of-service based revenue requirement.

Option #2 provides some risk/reward sharing between the resource owner and the CAISO by only partially providing cost-based recovery and allowing the resource owner to retain all of its market revenues. This is interesting, but relies upon some expectation of stable and robust market opportunities that will reduce the risk of not receiving full cost recovery. It is not clear if financing would be available for the balance of this model as it is more like a merchant plant. It also seems like this treatment could put storage resources at a disadvantage relative to other transmission solutions.

Options in the event of insufficient qualified project sponsors

The ISO proposal would require all SATA projects sponsors to also submit a full cost-of-service bid as described in option 1, above. This bid would to be used in instances when there is fewer than three qualified project sponsors.

Please state your organization’s position as described in the Second Revised Straw Proposal (support, support with caveats or oppose). If you support with caveat or oppose, please further explain your position and include examples.

Comments:

Enel X supports, with caveats, this proposal. Enel X wants to be sure that projects are selected through as competitive a process as possible in as transparent a manner as possible, and eliminate custom contract negotiations. If there are fewer than 3 bidders, it makes sense to require the bidders to submit full cost of service bids. Clearly, both Option #1 and Option #3 call for full, cost of service bids to be submitted. The other “mitigating” proposals, if too few bids are received, which is to establish a certain amount of revenue requirement to be recovered before revenues sharing would occur or to establish a 50/50 sharing mechanism would need to be formalized in advance of receiving bids. Establishing a certain amount of revenue requirement to be recovered before revenue sharing would occur should be a specific percentage of the overall cost. Otherwise, the threshold would be resource specific and would require individual negotiation, which could create some concerns about unique negotiations and transparency.

Contractual Arrangement

The ISO proposes to establish defined three contract durations: 10, 20, and 40 years. Additionally, the ISO has eliminated its previously proposed TRR capital credit in favor of contractual requirements for maintenance of the resources.

Please provide comments on these two modifications to the ISO’s proposal, stating your organization’s position as described in the Second Revised Straw Proposal (support, support with caveats or oppose). If you support with caveat or oppose, please further explain your position and include examples.

Comments:

Enel X understands the CAISO’s TRR capital credit proposal in the following manner:

The CAISO will determine the capital cost of the resource and determine a per MWh credit, such that every time the resource charges or is discharges it is reducing the useful life of the resource for market participation. The TRR capital credit can also be considered a marginal cost for purposes of economic bidding. Enel X supports this proposal by recognizing the reduction in the useful life of the storage resource for charging and discharging for market revenue purposes.

Enel X supports a 10-year recovery duration. However, not all storage assets will have a 40-year life or require cost recovery over 40 years to be “economic” in the resource selection queue. In addition, the CAISO’s TPP is over a 10-year period, and aligning resource procurement with that time-frame makes sense. Holding storage assets to the same useful life of a transmission asset, 40 years, may disadvantage storage resources that have a shorter useful life. While Enel X appreciates that the CAISO runs its 10-year TPP every year and could conceivably choose a different resource every year, it will be incorporating the choices of its previous TPP in future analysis. In addition, because the technologies in storage are changing and advancing so quickly, it would not be prudent to invest significantly in one resource type with a useful life of 40 years if it is possible, if not likely, that another storage resource could conceivably supplant the need for the long-term investment with a more cost-effective and equally effective asset.

Market Participation

The ISO has proposed that a SATA resource will be provided notification regarding its ability to participate in the market prior to real-time market runs, but after the day-ahead market closes. The ISO will conduct a Load based SATA notification test to determine a SATA resource’s eligibility to participate in the real-time market.

Please state your organization’s position as described in the Second Revised Straw Proposal (support, support with caveats or oppose), including any alternative proposals. If you support with caveat or oppose, please further explain your position and include examples (please note that any alternative proposals should be specific and detailed).

Comments:

Enel X’s understanding of the CAISO’s proposals are that there are two possible proposals for a SATA resource to participate in the market:

1. The CAISO will bid the resource in the DAM RUC run, just below the Transmission Relaxation Penalty; if the resources does not clear in the DAM RUC, then the resource can participate in the RTM as a market resource. After the DAM closes, but prior to the RTM runs, and
2. A day prior to the DAM RUC, if the resource does not clear, it is free to participate in both the DAM and the RTM

Enel X prefers option 2. It provides an opportunity for the SATA resource, if not needed for transmission purposes, to participate in both the DAM and RTM.

Consistent with FERC Policy Statement

The ISO believes the revised straw proposal is consistent with the FERC Policy Statement. Specifically, that the straw proposal does not inappropriately suppress market prices, impact ISO independence, nor result in double recovery of costs.

Please state your organization’s position as described in the Second Revised Straw Proposal (support, support with caveats or oppose). If you support with caveat or oppose, please further explain your position and include examples. If you oppose, please clarify why and how the ISO might address this issue.

Comments:

As stated in response to the first question, Enel X agrees that the Second Revised Straw Proposal is consistent with the FERC Policy Statement relative to Option #1. Options #2 and #3 are variations on FERC’s Policy Statement. However, CAISO has explained these proposals and the intentions behind them, including why these proposals would not suppress market prices, impact CAISO’s independence or result in double recovery of costs. The only caveat that Enel X has included in its response is that the CAISO should limit the amount of individual term negotiation it has to enter with each resource owner, particularly if there are not many competitive bids, in terms of when market sharing would begin or what the market sharing percentages will be.

Draft final proposal meeting or phone call

The stakeholder meeting for the second revised straw lasted approximately 2.5 hours. As a result, the ISO requests stakeholder feedback regarding whether an in-person meeting is necessary for draft final proposal or if a stakeholder phone call will allow the ISO to adequately address the remaining issues in the draft final proposal.

Please state your organization’s position as described in the Second Revised Straw Proposal (support, support with caveats or oppose). If you support with caveat or oppose, please further explain your position and include examples.

Comments:

Enel X is fine with a stakeholder phone call.

Other

Please provide any comments not addressed above, including any comments on process or scope of the Storage as a Transmission Asset initiative, here.

Comments:

Enel X would prefer to have more definition around what constitutes a transmission asset. Footnote 4, on page 12, defines transmission services as reliability-based, economic or policy projects. Yet, on page 10, the Second Revised Straw Proposal states:

“The policy statement does not support approving energy storage as a transmission asset when providing market-based services as a competing energy resource inside a constrained area. The ISO will consider energy storage to meet economic-driven transmission needs when the solution reduces congestion, but the ISO notes that the majority of the economic benefits for storage projects appear to occur when acting as resources competing against other market resources.”

This statement and the footnote create confusion as to when the CAISO would consider storage as a transmission resource and if it could utilize storage simply to compete against other market resources, rather than providing a specific transmission need, such as reducing congestion. This may be unintentional, but should be clarified.