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 stakeholder working group meeting that was held on June 29, 2018.

Submit comments to InitiativeComments@CAISO.com

Comments are due July 19, 2018 by 5:00pm

The working group meeting, hosted on June 29, 2018, as well as the presentation materials discussed during the stakeholder web conference, may be found on the Storage as a Transmission Asset webpage.

Please provide your comments on the Straw Proposal topics listed below, as well as any additional comments you wish to provide using this template.

Informational discussion

Based on stakeholder comments to the straw proposal, the ISO provided additional information regarding how SATA resources will be considered in the ISO's Transmission Planning Process (TPP). The ISO's working group presentation built on the materials covered through the straw proposal and focused on:

1. Assessments of need and technical requirements
2. Economic evaluation of project alternatives
3. Transmission Asset versus Market Local Resource considerations
4. ISO Operational control of storage assets

Are there additional questions regarding the materials that the ISO provided during the working group process or questions specifically relating to how the ISO will consider SATA resources in the TPP that the ISO has not yet discussed?

Comments:

No comment.

Contractual Arrangement

The ISO proposes to develop a new agreement with SATA resource owners that captures elements from Participating Generator Agreement (PGA), Participating Load Agreement (PLA), Reliability-Must-Run (RMR) and Transmission Control Area (TCA) agreements, among others. At the working group meeting, the ISO provided additional details about this proposed new agreement. Please provide comments on this proposal.

Comments:

Cost Recovery Option

SCE does not support the CAISO's SATA contract proposal which would permit SATA owners to select a cost recovery option from a menu of choices. Under all SATA scenarios which involve market participation, the resource should be allowed cost recovery via a single option – SCE's proposal which provides full cost recovery through the TAC and sharing of market earnings between the asset owner and transmission customers. The CAISO proposed "Option 1" and "Option 2" have core structural design problems that would likely result in, at best, an inefficient outcome. Option 1 does not provide incentives for SATA owners to participate in the energy market and Option 2 would create significant project-financing risks which would likely make the structure unusable. Rather than devote additional stakeholder time and resources trying to build on multiple problematic options, the CAISO should instead focus efforts on a single workable design as proposed by SCE.

Contract Construct

SCE is supportive of the CAISO's proposal to establish a new pro-forma hybrid contractual agreement for both incumbent and new PTOs. Given a SATA's primary function is to perform as a transmission asset, it is imperative that such resources be treated on par with conventional transmission assets. This means SATA owners should be subject to similar, if not identical, rights and responsibilities as PTOs. To accomplish this goal, it is critical that the CAISO mirror many of the provisions contained in the TCA in the new hybrid contractual arrangement for SATAs. While recognizing storage resources have different performance and maintenance requirements from conventional transmission lines and facilities, and accommodating for such differences, the TCA provisions with respect to operational control, access and interconnection, maintenance, outages, and return to service, at a minimum, for transmission facilities should be applicable to SATA resources.

Separately, consistent with one of the CAISO's primary objectives for this SATA initiative to result in ratepayer benefits, SCE supports 100% cost recovery through the TAC with a portion of a SATA's market participation earnings passed through to ratepayers and the remaining portion kept by the resource owner. This sharing mechanism should incent the SATA owner to participate in the energy markets and earn additional revenues beyond those earned by simply performing its transmission function. Furthermore, if as presented during the June 29 working group meeting, the SATA, will have "obligations" to perform as both a transmission and generation asset, the sharing of market participation earnings would be an enabler for the SATA resource to fulfill this requirement.

Cost Recovery Mechanism

The ISO has proposed two 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

At the working group meeting, CRI and SDG&E provided additional ideas for cost recovery. Through the discussion, a third option was proposed: Full cost-of-service with partial cost recovery. This option would mitigate risks associated with option 2 and provide incentives that do not exist under option 1. Please provide comments on the proposal and/or comments provided by CRI and SDG&E along with this third option. In comments, please provide a description of how they compare and contrast to the ISO's first two options, specifically as it pertains the direction provided in the FERC policy statement.

Comments:

(**Note**: It appears the CAISO inadvertently describes the third option discussed at the working group meeting as "full cost-of-service with *partial cost recovery*." SCE requests the CAISO confirm it meant to describe the third option as "full cost-of-service recovery with market revenues sharing", as this was the gist of SCE's proposal and the third option discussed at the working group meeting.)

Option 3 – Full Cost-of-Service with Market Revenues Sharing

SCE is pleased that, as a presenter during the cost recovery panel discussion, SDG&E indicated its general support for SCE's proposed cost recovery structure for SATA resources. SDG&E noted one possible concern that any increased costs or losses resulting from the SATAs participation in the energy markets would be strictly borne by the SATA owners. SCE's proposed cost recovery structure for SATAs (essentially, the "third option" discussed during the working group meeting) includes the element of Option 1 that provides for full cost-of-service based cost recovery, but proposes that any energy market crediting must provide incentives for the asset owner and customers to benefit. The starting point for this option assumes the SATA owner will fully recover through cost-of-service based revenues its SATA costs, consistent with how PTOs currently recover their costs for conventional transmission assets. Additional earnings from market participation should benefit the SATA owner and transmission customers. That is, the owner should be allowed to keep some amount of market "profits" and use the additional "profits" to offset costs recovered through the Transmission Access Charge (TAC) to benefit transmission customers.

To provide greater substance to SCE's proposal, SCE offers the following sharing mechanism for discussion and consideration. To determine "profits" of market transactions, the cost of energy used for "charging" during a month would be subtracted against the revenues from market energy sales during that same month. If positive, the resulting profit would be shared 50%-50% between SATA owners and transmission customers. The sharing with customers would offset the SATA costs otherwise recovered in the TAC.

We note, that if the SATA is a FERC Order 1000 project, the SATA owner may assume cost recovery risks by voluntarily setting a cost cap below actual costs of the resource. The CAISO would take any such cost caps into consideration when evaluating/selecting Order 1000 projects. The CAISO should also be open to proposals besides a pure 50/50 sharing of profits during the Order 1000 evaluation process.

SCE reiterates its comments submitted on the Straw Proposal in opposition to Option 2, which entails partial cost-of-service based cost recovery with no energy market crediting. In addition to likely being non-financeable (that is, too much can change in the market/transmission/reliability needs over time for participants to "bank" on the ability to make market earnings) this option is materially outside of the current transmission rate paradigm because only a portion, not the entire, costs of transmission would be recovered through the TAC. It would be inappropriate to make such a transformative change to the existing transmission cost recovery simply to accommodate the *potential* for *conditional* market participation. Moreover, to the extent a SATA is an Order 1000 process, it can largely effectuate this structure within the current ratemaking paradigm by submitting a "cost cap" below its actual costs.

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:

PG&E has previously raised the issue of how the interconnection of a SATA project will be processed. SCE believes the interconnection of SATA's does raise additional questions and issues and should be addressed. The interconnection issues appear out-of-scope for this stakeholder process, thus the CAISO should consider a separate stakeholder initiative/process to address interconnection issues after this process is completed.