

# 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 revised straw proposal that was posted on August 15, 2018.



California ISO

Submit comments to [InitiativeComments@CAISO.com](mailto:InitiativeComments@CAISO.com)

**Comments are due September 4, 2018 by 5:00pm**

The revised straw proposal, posted on August 15, 2018, as well as the presentation discussed during the August 21, 2018 stakeholder web conference, may be found on the [Storage as a Transmission Asset](#) webpage.

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

### **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. Additionally, the ISO has indicated its preference to control SATAs when they operate as transmission assets. Please provide comments on this proposal.

**Comments:**

The Six Cities do not oppose development of a new *pro forma* SATA agreement. As stated in previous comments, however, it appears possible that each SATA agreement could contain different material rates, terms, and conditions of service and may need to be individually filed at FERC.

The CAISO's preference to control SATAs when they are operating as transmission assets is reasonable and consistent with the concept of Operational Control as applied to transmission facilities.

**Transmission Revenue Requirement Capital Credit**

The ISO has proposed a TRR capital credit to reduce a SATA resource's capital cost recovery. The objective of this credit is (1) to protect ratepayers from early degradation of SATA resources operational capabilities due to dispatches from ISO market participation and potential for reduced useful lifespan for a SATA resource's ability to meet the identified transmission need(s), and, (2) to ensure the SATA resource owner considers all marginal costs when bidding into the market. Please provide comments on the ISO's proposal and any potential alternative the ISO could consider to achieve the same objectives.

**Comments:**

In general, the Six Cities agree with the concerns regarding premature asset degradation due to market activities that the CAISO is attempting to address with the TRR Capital Credit. During the stakeholder meeting, however, concerns were expressed regarding the CAISO's proposed approach and how it would interrelate with the cost recovery mechanisms under consideration.

One alternative that might address concerns about transmission customers paying capital costs to address premature battery degradation resulting from market activities would be to establish in the SATA agreement a timeframe for the expected useful life of the SATA batteries if they were used exclusively for the CAISO's anticipated transmission needs as identified in the Transmission Planning Process and an affirmative requirement that the SATA resource be available for at least as long as the anticipated useful life of the batteries. (The Six Cities understand that the time period during which the SATA resource is required to remain in service to provide the specified transmission services would be specified in the SATA agreement.) In the event that the batteries require replacement prior to the end of the agreed upon useful life and the resource owner does not provide any market revenue crediting against the Transmission Revenue Requirement ("TRR") reflected in the TAC, then the SATA resource owner would be required to fund the capital cost of replacing the batteries without recovering such replacement costs from transmission customers through the TRR. If a SATA resource owner decided to participate in market activities, then presumably the resource owner would factor the anticipated early replacement cost of the batteries into its bidding activities. The Six Cities note that they have focused in these comments on battery replacements in light of the CAISO's observation at footnote 6 of the Revised Straw Proposal that ancillary equipment is not likely to experience lifecycle degradation in the same way that batteries would.

In the event that a market revenue sharing approach is adopted, whereby both customers and SATA resource owners split market revenues, then it may be appropriate for customers and SATA resource

owners to share the replacement cost in proportion to the revenues received from the resource's market participation.

This proposal likely requires further discussion among stakeholders to determine whether the assumption that resources will reflect estimated replacement cost in their bidding behavior is valid such that the resource will not be unduly impacting market outcomes. It may be feasible to develop an "opportunity cost" for SATA resources and specify in the SATA agreement that market bids will not be lower than the opportunity cost.

Stakeholders may require additional time to evaluate the TRR Capital Credit proposed by the CAISO as well as any proposed alternatives. There may be value in extending the time period for this initiative to accommodate a Second Revised Straw Proposal.

### **Market Participation**

The ISO provided two additional options it is currently considering to notify SATA resources when they would be permitted to provide market services and access market revenues: Day-ahead market option and D+2 Option. Please provide comments on these options, including any preference or alternative options.

#### **Comments:**

The Six Cities do not have comments on this aspect of the Revised Straw Proposal at this time.

The Six Cities have a question, however. Would the CAISO implement a "recall" right in the event a resource that was advised that it could engage in market participation was subsequently determined to be needed for transmission services? If so, how would the recall right be implemented?

### **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

Please provide comments on these three options and any other options the ISO has not identified. Please provide specific comments on (a) if the ISO should maintain option 2, above, and (b) why, if any, specific market profit threshold must be reached before the SATA resource would be permitted to retain some portion of profits and how such threshold should be determined.

#### **Comments:**

Of the three specified options, Option 3 appears to provide an incentive for resources to engage in market participation while ensuring that the SATA resource is capable of being financed, a concern that some developers have expressed in this initiative.

**Options in the event of insufficient qualified project sponsors**

The ISO has proposed potential options for addressing SATA projects when there is insufficient qualified project sponsors. Please provide comments on these options, including preferences and/or additional alternatives that should be considered.

**Comments:**

The Six Cities have no comments on this topic at this time.

**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 provide comments on the whether you agree or disagree with the ISO. If you disagree, please clarify why and how the ISO might address this issue.

**Comments:**

The Six Cities take no position on whether the Revised Straw Proposal is consistent with the FERC Policy Statement.

**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:**

N/A