

# 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 initiative Straw Proposal that was published on May 18, 2018.



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

**Comments are due June 7, 2018 by 5:00pm**

The straw proposal, posted on May 18, 2018, as well as the presentation discussed during the May 24, 2018 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.

**Scope of policy examination**

The ISO has modified its initial identified scope for this stakeholder process. The scope of this initiative will focus on: If storage is selected for cost-of-service-based transmission service, how could that resource also provide market services to reduce costs to end-use consumers? Please provide comments on this proposed scope (including those issues identified as out-of-scope). If there is a specific item not already identified by the ISO that you believe should be considered, please provide the specific rationale for why the ISO should consider it as part of this initiative.

**Comments:**

As a general matter, the Six Cities concur in the limited scope of this initiative.

With respect to consideration of TPP evaluation methodologies, which the CAISO has explained are out-of-scope for this initiative (see Straw Proposal at 19), the Six Cities note that the CAISO has identified in its Straw Proposal a number of “compelling technical, operational, or contractual considerations” that would result in the need for storage to be procured as a transmission asset rather than as a market resource under local regulatory authority rules. (Straw Proposal at 17.) Are these factors already identified within the TPP evaluation methodologies used to select projects? In the event that there are selection criteria applicable to storage facilities within the TPP that differ from the criteria used to identify non-storage transmission solutions, those criteria should be subject to stakeholder review and documented as part of the TPP.

**Background and the ISO’s Transmission Planning Process (“TPP”)**

The ISO has provided a discussion on how certain stakeholder comments could be addressed within the current Transmission Planning Process (TPP) framework – on a case-by-case basis. Please provide any additional questions or clarifications regarding how the ISO’s TPP might incorporate the market participation by SATA resources.

**Comments:**

As the Six Cities previously stated in their comments on the Issue Paper in this initiative, they are supportive of limiting SATA resource status to those projects that are identified in the TPP as needed for reliability reasons. The CAISO now proposes that it will expand consideration of storage in the TPP to include potential economic and policy projects. With respect to storage projects that may be classified as economic projects under the TPP, the Six Cities observe that CAISO representatives at the stakeholder meeting stated that the focus of the TPP is on grid planning, not resource planning, and that the TPP’s consideration of storage would emphasize facilitating access to economic resources but not “being” the economic resource. In the event that storage solutions are identified that help alleviate congestion, the TPP should carefully document the basis for selecting the resource, and the resulting SATA agreement should be crafted to ensure that the anticipated economic benefits to transmission customers are realized.

**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) agreement and Transmission Control Agreement (TCA). Additionally, the ISO has indicated its preference to control SATAs when they operate as transmission assets. Please provide comments on this proposal.

**Comments:**

As the Six Cities have stated previously, a separate contract arrangement for SATA resources or, potentially, an addendum to the TCA, would likely be the most appropriate vehicle for addressing the obligations of SATA resources, given that these resources raise considerations that may be broader than the topics addressed in the TCA but also do not fit solely within any existing contracts for different resource types that the CAISO has already developed. A separate agreement would also accommodate the differing circumstances of each SATA resource. While the Six Cities do not oppose developing a *pro forma* agreement for this purpose, it is likely that each agreement may contain different rates, terms, and conditions (specifically associated with levels of authorized market participation and cost recovery), and, for that reason, each contractual agreement should be filed with FERC.

Aside from the contract mechanism that establishes the SATA resource owner's relationship with the CAISO, one unanswered question is whether SATA resource owners would have the status of Participating TOs within the CAISO, whether the resource owner would have some sort of separate "SATA PTO" status, or whether the resource owner would not be a Participating TO at all with respect to SATA resources. Additionally, some SATA resource owners may be existing Participating TOs. At this time, the Six Cities do not have a specific position on the status that SATA resource owners should have within the CAISO, but urge the CAISO to consider this issue in the Revised Straw Proposal.

**Market Participation**

The ISO provided additional details regarding how and when SATA resources would be permitted to provide market services and access market revenues. Please provide comments on this proposal.

**Comments:**

Any market activity by SATA resources that is permitted must not interfere with the resource's ability to provide the transmission services for which it is being compensated. Thus, the CAISO must design measures, including non-performance penalties, that are intended to ensure that transmission customers receive the full value of the resource for which they are paying. The Six Cities also support the CAISO's ability to recall the resource at any time it may be required to provide needed transmission services.

At the same time, a resource that is able to provide value to the CAISO system should not sit idle and intentionally refrain from market participation merely because there is neither a requirement to provide market services nor a consequence for failure to do so, especially where market participation would

reduce costs to transmission customers. The Six Cities support the CAISO's proposal to attempt to identify times when market participation is feasible for the resource, and to revisit that determination periodically. The Six Cities urge the CAISO to consider whether a must-offer requirement should apply to SATA resources, similar to that which the CAISO has proposed in the RMR context.

Finally, the Six Cities support the proposal not to require SATA resources approved through the TPP to also interconnect through the CAISO's generator interconnection process, but any incremental capacity or additional facilities that a developer seeks to include with the SATA resource that are not needed as part of the TPP-approved SATA resource should undergo separate interconnection, deliverability assessment, and cost allocation procedures.

### **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

Please provide comments on these two options and any other options the ISO has not identified. Please include how the ISO might incentivize or compel SATAs to participate in the markets competitively and efficiently where they would receive full cost-based recovery.

#### **Comments:**

As an initial matter, the CAISO should not contemplate any market revenues when studying a potential SATA resource in the TPP, but should instead assume that the full cost of the resource will be funded by transmission customers, just as any other transmission projects are funded. That will place storage resources on a level playing field with other transmission projects. Attempts to estimate potential market revenue recovery over time by a relatively new category of resource may lead to imprecise cost estimates in the TPP, which could impact project selection.

Once the CAISO has selected a SATA resource, market participation should occur consistent with the following principles:

- Transmission customers should be assured that they will receive the full benefit of the transmission services for which they are paying. The relevant transmission services should be clearly documented, and the resource should not be permitted to engage in market participation that would interfere with its ability to provide these services. There should be appropriate penalties for failure to perform the relevant services.
- There should be no double compensation to resources for providing the same energy or capacity services through TAC-based recovery and/or through market based recovery.
- Storage resources should not be procured if they are more expensive than other transmission solutions, unless they are meeting a unique transmission need.
- The ISO's decision to approve a storage resource should not interfere with or undermine the procurement processes of Local Regulatory Authorities.

It is critical that the CAISO structure the limits and requirements around market participation to not only ensure that a resource is able to provide the required transmission services, but that the resource does not refrain from market participation (with a corresponding revenue offset in favor of transmission customers) merely because it is assured of full cost recovery irrespective of any market participation. Therefore, must-offer requirements should be designed for SATA resources, again consistent with the CAISO's transmission needs.

The Six Cities are also concerned about a scenario, posed at the stakeholder meeting, where a SATA resource may provide some minimal discount off of its cost of service under Option #2 above, but then substantially over-recover its costs through market participation. For example, a resource with an annual cost of \$100 may offer to recover only \$95/year via cost-based rates, with the balance recovered via market activities (and any amounts above \$100 simply retained by the resource as profit). This scenario is neither efficient nor beneficial. If the CAISO moves forward with Option #2, then the Six Cities urge the CAISO to require a SATA resource, once it has recovered its costs on an annual basis, to share further profits with transmission customers by crediting its revenue requirement according to some pre-established formula, or, alternatively, to forgo recovery in its cost-based rates of any transmission customer-funded return on investment.

#### **Allocation to High- or Low-Voltage TAC**

The ISO proposes to maintain the current practice of allocating costs to high- or low- voltage TAC, based on the point of interconnection, and consistent with other transmission asset classifications to regional (high voltage) or local (low voltage) TAC. Please provide comments on this proposal.

##### **Comments:**

Consistent with their comments on the Issue Paper, the Six Cities continue to support allocating SATA resource costs according to the location (high- or low-voltage) of the issue that the storage resource is resolving.

#### **Consistent with FERC Policy Statement**

The ISO believes the 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 do not have comments on this topic at this time.

#### **Use Cases**

Stakeholders raised numerous scenarios involving a storage device being used as a transmission asset, and with having additional storage or other generation capacity at the same site. The ISO provided feedback on how some, but not all, of these concerns expressed at the stakeholder session could be addressed. The ISO seeks stakeholder feedback on issues or concerns that would need to be addressed, as well as possible mechanisms to address such concerns.

**Comments:**

The Six Cities urge the CAISO to include its responses to the various hypotheticals that have been posed in its Revised Straw Proposal.

**EIM classification**

The ISO believes this initiative falls outside the scope of the Energy Imbalance Market (EIM) Governing Body's advisory role. The ISO seeks stakeholder feedback on this proposed decisional classification for the initiative.

**Comments:**

The Six Cities take no position on the CAISO's proposed classification for this initiative.

**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:**

Not applicable.