

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.



California ISO

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:

With respect to Option 1, the Six Cities specifically support the CAISO's proposal to implement a must-offer obligation for discharging to ensure that the resource participates in markets (to the benefit of ratepayers) when the resource is not needed as a transmission asset and to use a pre-established discharge price to mitigate the potential for price suppression. However, the Six Cities are unclear as to the basis for the CAISO's proposed discharge pricing options for resources subject to the must-offer obligation and urge clarification of these options.

In terms of whether incumbent PTOs should be restricted to the use of Option 1 for projects that are not subject to competitive solicitation, the Six Cities have no affirmative position either supporting or opposing the CAISO's proposal at this time. As a general matter, the Cities agree with the underlying concern regarding such projects not necessarily being subject to competitive forces (through the competitive solicitation process).

Under Option 1, the Six Cities understand the CAISO's proposal to preclude recovery of amounts associated with negative energy market prices from ratepayers. Rather, any credits from market revenues will reduce, but will not increase, the TRR for the SATA resource. *See, e.g.,* Second Revised Straw Proposal at 19 (defining net positive market revenues as "limited to positive values to limit recovery of poor bidding strategies); 20 ("net market revenues will be limited to positive net market revenues on a monthly basis"). The Six Cities urge further clarification of how the crediting process will be implemented in the next proposal in this initiative.

Relatedly, does the CAISO envision scenarios where a storage project connected at 200 kV or greater would be assigned to an incumbent PTO without competitive solicitation? For example, would it be likely that a transmission-related need for a storage device would be so specific as to identify whether the device is needed in a particular location such as at an existing substation?

As to Option 3, the Six Cities are concerned that the CAISO proposes to leave the percentage splits between the resource owner and ratepayers entirely open-ended. Are there parameters that might govern what appropriate splits would be? Because ratepayers are backstopping the resource's cost recovery and minimizing risk for the resource owner, it appears that ratepayers should be entitled to a relatively large percentage of the market revenues.

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:

The CAISO’s proposal to require a minimum of three project sponsors for cost recovery Options 2 and 3 appears to be reasonable given the identified concerns about the need for competition in order to maximize the ratepayer benefits of storage projects.

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:

Conceptually the CAISO’s proposal to have three pro forma “terms” of SATA agreements to accommodate the anticipated service lives of various technologies is logical. Consistent with concerns expressed, however, in prior comments, the Six Cities remain concerned that the CAISO is attempting to shoehorn too many scenarios that are largely unknown at this time into a pro forma agreement structure. Notwithstanding this concern, ratepayers would benefit from an understanding of when and how the CAISO will decide to use the different proposed contract durations.

The Six Cities support the CAISO’s proposal to withdraw its previously-proposed capital crediting approach in favor of addressing asset degradation and maintenance/replacement needs and cost responsibility in the SATA agreement. This proposal is consistent with comments the Six Cities previously provided.

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:

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

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:

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

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:

The Six Cities take no position on the format for the next stakeholder meeting, but would likely participate via the web conference option irrespective of whether an in-person meeting is scheduled.

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:

The Six Cities note the CAISO’s statements in this initiative that storage and preferred resource procurement through CPUC and Local Regulatory Authority (“LRA”) procurement processes provides benefits that the SATA framework may not. *See, e.g.*, Second Revised Straw Proposal at 45-46 and 49. As a general matter, the Six Cities agree that storage resources have (and likely will continue) to fit “more effectively” (*see id.* at 49) within the CPUC and LRA procurement frameworks for local capacity, rather than as transmission assets. The CAISO’s experience of having recently assessed 27 battery storage proposals and approved only two (in the 2017-2018 Transmission Plan) illustrates this. The Six Cities believe that procurement of storage resources should generally remain within the purview of the CPUC and LRAs, and only in well-defined and specific circumstances (such as clear economic savings to ratepayers or unique reliability needs) should the CAISO approve storage projects to provide transmission services.