

Storage as a Transmission Asset

Stakeholder Comments 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 Issue Paper that was published on March 30, 2018.



California ISO

Submit comments to InitiativeComments@CAISO.com

Comments are due April 20, 2018 by 5:00pm

The Issue Paper posted on March 30, 2018, as well as the presentation discussed during the April 6, 2018 stakeholder web conference, may be found on the [Storage as a Transmission Asset](#) webpage.

Please provide your comments on the Issue Paper topics listed below and any additional comments you wish to provide using this template.

Scope of policy examination

The ISO's initial identified scope for this stakeholder process is to enable storage to provide cost-based transmission services and participate in the market and receive market revenues. Specifically, the ISO will focus on (1) transmission-connected storage only and (2) storage resources identified as needed to provide reliability-based transmission services. Please provide comments on the proposed scope. If there are specific items not already identified by the ISO that you believe should be considered, please provide specific rationale for why the ISO should consider it as part of this initiative.

Comments:

As a general matter, the Six Cities agree with the limited scope that the ISO has proposed for this initiative; namely, to limit its applicability to transmission grid-connected storage facilities that are needed to provide reliability-based transmission services. Because this initiative presents new and challenging issues, it is reasonable to focus first on those resources that may be deemed needed for reliability reasons through the TPP. The Six Cities do not support expanding this initiative to include resources that may provide economic or policy benefits at this time (as proposed by one commenter during the ISO's initial stakeholder meeting), but instead suggest deferring this topic to a future phase or future initiative. The Six Cities also do not agree with the suggestion of some stakeholders that conventional generation should be eligible for cost-based recovery via the TAC.

The ISO has advised that TPP evaluation methodologies are not intended to change as a result of this initiative. Because the TPP entails performing a cost-benefit analysis of potential projects, consideration of the potential cost of a storage project will necessarily entail consideration of whether the potential storage resource is recovering all or a portion of its costs from transmission customers versus through the markets. At this time, it is not clear how the CAISO intends to assess the cost of storage resources, and therefore some consideration of how a potential resource's cost to transmission customers will be established in the TPP would be appropriate, perhaps necessary, for this initiative.

Cost recovery mechanism

The ISO has offered two alternative cost recovery mechanisms for discussion as part of the issue paper:

1. Asset in PTO's TAC rate base, and
2. Contractual provision of "cost-based" transmission service without becoming a PTO

Please provide comments on these two options and any other options the ISO has not identified. Additionally, please provide comments on the "wholly in rate base" and "partially in rate base" alternatives discussed within each of the above options.

Comments:

Preliminarily, the Six Cities believe that a contract-based approach to cost recovery would likely allow for a more tailored arrangement whereby the specific transmission services that a storage resource would provide, under what conditions and circumstances, and for what compensation, along with any

permitted market participation activities, would be specifically negotiated and documented. A contract arrangement could accommodate either full TAC rate recovery or partial rate recovery, depending on the ISO's identified needs and the compensation structure. Each contractual agreement should be filed with FERC.

There are several principles that the Six Cities believe the CAISO should consider in approving any storage assets for transmission rate recovery, and these principles should inform the design of the cost recovery mechanism:

- 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.

Any contract-based procurement mechanism should reflect these principles.

Allocation to high or low voltage TAC

The ISO has expressed its plans to maintain the current practice of allocating costs to high or low voltage TAC based on the point of interconnection. Please provide comments on this proposal.

Comments:

The ISO's proposal to assign costs based on the point of interconnection, rather than based on the location and nature of the transmission issue that is being mitigated by the potential storage resource, does not appear to be reasonable or correlate with cost causation principles. If a resource is being installed to resolve an issue on the low voltage system, then the costs of the resource should be recovered via a Participating TO's low voltage access charge. If a resource is being installed to resolve an issue on the high voltage system, then the costs of the resource should be recovered via the high voltage TAC. If a resource resolves issues on both the low and high voltage systems, then its costs should be allocated proportionately.

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:

This initiative raises difficult questions about how storage, which functions in a way that is more analogous to a generator or demand response resource than most types of transmission facilities, should be compensated when storage is performing a transmission function. In general, the Six Cities agree with the ISO that storage may best fit as a market resource providing local capacity rather than as a transmission asset. Some of the challenge arises from the fact that storage technologies are relatively new and, due to their costs, have not been widely deployed for purposes of addressing transmission system needs. The Six Cities have concerns about the potential for storage resources that are approved and installed for transmission-related needs but that, at the same time, participate in the energy markets, to distort prices and/or potentially disadvantage other types of resources capable of providing many of the same services. The Issue Paper does not present any resolution to this concern. The Issue Paper also does not resolve how the ISO proposes to exercise operational control over a storage resource that is also participating in the energy markets. Compounding the difficulty of these policy challenges is the high cost of most of these resources at this time; the Six Cities have concerns about transmission customers essentially being asked to “backstop” the financing of storage resources that may not be cost-effective to procure and are not able to be financed for purposes of development, absent a policy mandate to procure or funding through the TAC. The ISO’s transmission planning process should consider storage resources as potential solutions to reliability concerns on the transmission system, but the ISO should proceed cautiously in evaluating and approving these resources, with a careful assessment of the cost and capabilities of these resources relative to alternatives, and should ensure that ratepayers who fund these resources receive the benefits for which they are paying.