

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

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:

ORA recommends that as part of this initiative, the California Independent System Operator (CAISO) consider specific contract terms and conditions necessary to allow a storage resource to

become a storage as a transmission asset (SATA) in order to pursue cost-of-service-based transmission services, as well as other market services contracts, to reduce costs to end-use consumers. The proposed terms and conditions should allow SATA resources the opportunity to provide their maximum capacity to meet the CAISO’s transmission service needs and ensure that the resources do not receive double compensation. For example, the CAISO should ensure that the contract terms and conditions require the SATA resources to have sufficient excess capacity to meet all of CAISO’s transmission service needs before entering into contracts for other market services.

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:

ORA has no comments on this issue at this time.

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:

ORA recommends that the CAISO’s revised SATA straw proposal clarify the anticipated length of the agreement between the CAISO and the owner of the SATA resource. Specifically, ORA recommends that the length of the agreement between the CAISO and the SATA resource owner should be for the useful life of the SATA resource. ORA makes this recommendation for consistency with other transmission asset agreements, which are also for the useful life of the transmission asset. Agreement terms of longer duration ensure that ratepayers pay a consistent cost-of-service rate for a SATA resource, rather than paying rates that may fluctuate substantially from year to year. These agreements should be terminated if a SATA resource is not able to provide the transmission service needs to the CAISO as required under its agreement.

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:

ORA has no comments on this issue at this time.

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.^[1]
2. Partial cost-of-service based cost recovery with no energy market crediting.^[2]

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 stated in its April 20, 2018 comments on the SATA Issue Paper, ORA prefers the “wholly in rate base” (now referred to as the full cost-of-service based cost recovery with energy market crediting) option over the “partially in rate base” (now referred to as the partial cost-of-service based cost recovery with no energy market crediting) option. The “wholly in rate base” cost recovery option could reduce ratepayer TAC obligations for SATA resources, and thereby lower costs for solutions to reliability issues addressed with SATA resources. This option would also result in optimal utilization of SATA resources for transmission and market services.³

Incentives to encourage SATA resources to participate in the market if they elect the full cost-of-service based cost recovery with energy market credit option may not be necessary for three reasons:

- (1) A SATA resource would need to regularly discharge its excess energy through market participation in order to recharge and meet its primary obligation for the CAISO’s transmission services. If the role of a SATA resource is to store excess energy from the CAISO controlled grid during certain time frames, then this SATA resource would not be able to serve its role sufficiently at all times unless it regularly discharged the excess energy it stored through participation in the market.

¹ This option relies on maintaining the clear delineation between transmission and generation assets, at least as it pertains to cost recovery for SATA resources. It ensures that a resource’s total TRR is covered, but any additional market revenues would reduce the overall TRR recovered through TAC. *Storage as a Transmission Asset, Enabling storage assets providing regulated cost-of-service-based transmission service to access market revenues*, Straw Proposal, May 18, 2018, CAISO, (SATA Straw Proposal), p.25.

² This option relies on moving away from a clearly defined or guaranteed cost recovery for SATA resources. In this model only CAISO market revenues could be considered. The CAISO will not assess projects seeking funding through both the CPUC procurement and approval in the CAISO’s TPP. (SATA Straw Proposal, p.27.) This option is a partially in “rate base” which would allow for partial recovery under TAC and the remainder to be covered through market revenues. (Customized Energy Solutions, April 6, 2018, page 1).

³ ORA Comments on *Storage as a Transmission Asset* Issue Paper, April 20, 2018, p. 3.

- (2) If a SATA resource has to meet unpredictable CAISO transmission service requirements, and as a result it has unpredictable time frames when it is not needed to meet the CAISO’s transmission service needs, that SATA resource should not be incentivized or compelled to participate in the market.
- (3) If a SATA resource has predictable CAISO transmission service requirements and predictable excess available capacity (in megawatts) during predictable months or hours,⁴ it should be encouraged to participate in the market through its SATA agreement during the time frames when it is not needed for CAISO transmission services.⁵

Since the predictable months and hours when a SATA resource is not needed could change during the useful life of a SATA asset,⁶ the market participation requirements should also change, consistent with the SATA’s resource capacity obligations.

FERC⁷ and other stakeholders⁸ have raised the concern that an independent system operator such as the CAISO may lose its independence as a market operator due to its control of a resource that is allowed to participate in the market. Thus, ORA’s recommendation takes into account that the CAISO expects to “maintain its independence [as a market operator] by allowing SATA resources to participate in competitive markets during time periods known well in advance of any CAISO market timeframes.”⁹ Additionally, the SATA resources are not expected to impact market prices since the hours in which SATA resources would be needed for transmission service would be the same hours in which a SATA resource could impact energy market prices.¹⁰

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:

ORA has no comments on this issue at this time.

⁴ SATA Straw Proposal, p. 23.

⁵ SATA Straw Proposal, p. 22.

⁶ SATA Straw Proposal, p. 23.

⁷ *Utilization of Electric Storage Resources for Multiple Services When Receiving Cost-Based Rate Recovery*, 158 FERC ¶ 61,051 at 17-20 (2017), at <https://www.ferc.gov/whats-new/comm-meet/2017/011917/E-2.pdf>.

⁸ California Energy Storage Alliance (CESA) Issue Paper Comments, p. 6; Independent Energy Producers (IEP) Issue Paper Comments, p. 4; NextEra Issue Paper Comments, p. 3.

⁹ SATA Straw Proposal, p. 26.

¹⁰ SATA Straw Proposal, p. 24.

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:

Without greater specificity on the terms and conditions in the agreements for SATA resources, ORA cannot determine if the proposed SATA policy is consistent with the FERC Policy Statement “Utilization of Electric Storage Resources for Multiple Services When Receiving Cost-Based Rate Recovery,” issued on January 19, 2017¹¹

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:

ORA has no comments on this issue at this time.

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:

ORA has no comments on this issue at this time.

¹¹ *Utilization of Electric Storage Resources for Multiple Services When Receiving Cost-Based Rate Recovery*, 158 FERC ¶ 61,051 (2017), at <https://www.ferc.gov/whats-new/comm-meet/2017/011917/E-2.pdf>.

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:

ORA has no additional comments at this time.