

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.



Submit comments to 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.

¹ BAMx consists of City of Palo Alto Utilities and City of Santa Clara, Silicon Valley Power.

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:

BAMx supports the CAISO’s plan to develop a new agreement for SATA resources that would combine Transmission Control Agreement (TCA) provisions – if the owner is not already a Participating Transmission Owner (PTO) – and provisions that cover how the CAISO would compensate a storage resource and when it can participate in the market, including the impact market revenues have on the total costs to be recovered under the agreement. Any contractual arrangement needs to address whether the proposed operator of the SATA resource has any ability to unduly influence the market prices and outcomes. This is the same reason why existing FERC policy notes that the CAISO control over the operation of a SATA resource could jeopardize its independence as the market operator.

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 our comments dated June 7, 2018, we had raised concerns about the increased frequency of storage cycling for the purposes of market participation, and subsequently, the impacts of the increased cycling of the storage asset on the equipment lifetime and total costs associated with the technology.² We noticed that the CAISO has recognized the need to perform sensitivity analysis to address the risk considerations for storage given its need to replace a significant portion of storage assets in the medium term, unlike the traditional transmission assets.³ As indicated in our comments dated July 16, 2018, in addition to the sensitivity analysis, while determining how and when SATA resources would be permitted to provide market services and access market revenues, the CAISO needs to consider that “optimized” operation of a SATA asset to participate in a market could further lead to increased frequency of replacement of the storage asset, therefore, impacting the total costs of the investment.

² Specifically, these increased costs include fixed overhead costs as well as the associated variable costs related to the operating, repair, and maintenance of the storage asset.

³ Slide #16 of the CAISO’s June 29th Workshop Presentation.

We acknowledge that the CAISO’s proposed TRR capital credit concept to reduce a SATA resource’s capital cost recovery attempts to address our concerns by attempting to insulate and protect ratepayers from subsidizing a transmission asset that is used primarily as a market resource. Although we express no opinion at this time concerning the specific provisions under the proposed TRR crediting mechanism, we support the CAISO’s proposed objectives of protecting ratepayers from early degradation of SATA resources and aligning the SATA resources with competitive market bidding behavior.

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:

BAMx has no comments at this time.

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:

BAMx has no comments at this time.

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:

BAMx has no comments 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:

BAMx has no comments at this time.

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:

BAMx has no comments at this time.