

# 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.



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

Boston Energy Trading and Marketing (“Boston Energy”) appreciates the opportunity to provide comments on the CAISO Storage as Transmission Asset (“SATA”) Second Revised Straw Proposal issued October 16, 2018. Boston Energy supports the ISO’s continued efforts to integrate storage resources into the CAISO market, and appreciates the ISO’s efforts in addressing concerns raised by Boston Energy regarding market competitiveness and price suppression from SATA resources. Boston Energy views these latest changes as positive and provides the following additional comments/clarification for consideration.

**Transmission Cost Recovery Mechanisms**

The second revised straw proposal introduces three cost recovery options. The options are positive steps to addressing FERC’s concerns over the ability for a SATA resource to inappropriately suppress market prices, but need further refinement, especially under the “partial cost of service with energy crediting” and “full cost of service with partial market revenue sharing” scenarios.

With regards to the “full cost of service based option with energy market crediting” (section 5.2.1), Boston Energy supports the Must Offer Obligation (“MOO”) concept described for discharge offers and further encourages the ISO to develop a MOO for charging and ancillary service offers as well along similar lines. This will ensure that a SATA resource participates in the ISO markets under the spirit of the FERC’s policy statement and protects the competitiveness of the market along with providing benefits to rate payers when market conditions warrant.

Furthermore, Boston Energy encourages the ISO to extend the MOO concept to the “full cost of service recovery with partial market revenue sharing” (section 5.2.3). Allowing full cost recovery without a MOO, even with revenue sharing, doesn’t protect the market from inappropriate price suppression. Without a cost-based reference level for participating in the energy and ancillary service market, sharing market revenues appears to be adequate protection for rate payers from over paying for a transmission asset, but fails to adequately quantify the true marginal cost of the SATA in market bids. A dollar of market revenue split between rate payers and the project developer without a cost-based reference point provides rate payers and the project developer a financial benefit but no assurances that market prices aren’t adversely impacted. Short of developing cost-based reference levels for SATA, an extension of the MOO described in section 5.2.1 needs to be incorporated into this option to ensure competitive markets are not harmed and inappropriate price suppression does not exist.

**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:**

No comments at this time.

### **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:**

No comments at this time.

### **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:**

### **SATA Market Participation Notification Process**

The revised proposal introduces the concept of a load-based notification test process to determine if a SATA resource will be needed for transmission service or can be released to the market. The paper indicates the notification process would be conducted in the day-ahead timeframe based on load pocket load forecasts and available capacity in the local area.

Section 2.2 of the second revised straw proposal indicates the ISO's desire to allow SATA resources to participate in the day-ahead and real-time markets and suggests strong stakeholder support for participation in the day-ahead energy and ancillary services markets. However, section 5.5 states in numerous places that the load-based notification process would allow SATA resources to be released for real-time market participation only; the paper is silent on the question of day-ahead market participation and the ability for SATA resources to participate in the ancillary service markets.

Boston Energy seeks clarification from the ISO on where the ISO envisions SATA resources market participation only in the real-time, or in both day-ahead and real-time? If the ISO envisions, as section 5.5 lays out, a real-time only model, then the value of market revenues to a SATA resource will be significantly reduced given the ISO's real-time market not re-optimizing ancillary services as is done in the day-ahead market. While it is true that the ISO's market procures ancillary services in the real-time

(FMM), the ISO procures 100% of its forecast ancillary service need in the day-ahead and only conducts real-time procurement on a limited basis when load forecast changes and units awarded in the day-ahead are unavailable. Not being able to participate in the day-ahead ancillary service markets would be a significant limitation in the ISO's proposal, unless the ISO introduces market design changes to re-optimize ancillary services in the real-time market (as CAISO introduced in the DAM market enhancements initiative).

#### **SATA Scheduling Coordinator Requirements**

The ISO's second revised straw proposal is silent on the requirement for being designated a scheduling coordinator for a SATA resource. Boston Energy feels strongly that third-party scheduling coordinators should be allowed to represent SATA resources under the three cost recovery options and requests the ISO include rules and requirements in the draft final proposal. One area of concern raised by Boston Energy in prior comments is the ability for a scheduling coordinator to utilize non-public transmission system information specific to the SATA resource for other market participation purposes. If the ISO believes the rules around market notification (section 5.5) address this concern then the ISO draft final proposal should explain in further detail. The ISO's policy should allow third-party scheduling coordinators to support a SATA resource, but also needs to ensure full and equal transparency to all market participants

#### **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:**

Refer to comments made under the Cost Recovery Mechanism section.

#### **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:**

No comment 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:**

No additional comments at this time.