

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.



California ISO

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:

SCE supports the CAISO's proposal to establish the initiative's launching point to be if storage is selected through the Transmission Planning Process (TPP) to meet a transmission need and earn cost-of-service-based revenues, then that storage as a transmission asset (SATA) may be eligible to participate

in the wholesale energy markets. This will allow SATA resources primarily serving a transmission function to be more efficiently utilized when they are not required to meet a transmission need by participating in the energy markets. With a properly constructed contractual arrangement of market-revenue sharing between the SATA owner and ratepayers (see SCE's comments below under "Contractual Arrangement"), storage providing cost-based transmission services should be enabled and incented to also participate in CAISO markets and receive market revenues to provide financial benefits to both transmission customers and the storage/transmission owner and provide greater flexibility to the grid.

Regarding the expansion of in-scope SATA projects deemed to be needed through the TPP to include projects identified to meet economic needs (in addition to reliability-driven projects), SCE continues to support an incremental approach to the development and implementation of the SATA initiative, commencing only with reliability-driven projects. While we expect this to eventually be available to all storage selected in the TPP, we feel it prudent to focus attention on the reliability needs first. Lessons learned from a phased-in approach would benefit the subsequent expansion to likely include economic- and policy-driven SATA projects and better ensure that we get the structure "right" for reliability projects.

SCE agrees with the CAISO regarding the issues identified to be beyond the scope of this initiative. Namely, storage resources procured or contracted for reasons beyond meeting a specific transmission system need identified by the CAISO in the TPP are properly out-of-scope. The TPP evaluation methodologies and the general competitive solicitation framework should, likewise, remain beyond the scope of the SATA initiative.

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:

No comment.

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:

SCE is concerned the new hybrid contractual agreement, with the detailed mechanisms for implementing the proposed storage as a transmission asset (SATA) participating in the energy markets

model will not be developed within the CAISO's stakeholder engagement timeline. It will be a significant challenge to achieve the CAISO's goal of seeking CAISO Board approval at its November 14-15, 2018 meeting. By way of comparison, it took a few years to develop the RMR agreement. The complexities involved to ensure the SATA, with its given primary function as a transmission asset, is treated on par as a conventional transmission asset will require extensive review of the Transmission Control Agreement (TCA) to ensure adoption of the appropriate provisions. SCE is supportive of the CAISO's proposed approach, as outlined in the Straw Proposal, to include provisions from the TCA regarding transfer of operational control, system operation and maintenance, critical protective systems that support the CAISO controlled grid, system emergencies, access and interconnection, expansion of facilities, use and administration of CAISO grid, and maintenance standards in the new SATA contractual arrangement. Once these baseline transmission requirements are established in the new contractual agreement, the CAISO could then integrate provisions from the PGA, LSA, and RMR agreement to address operational as well as costs and compensation issues when the SATA is behaving as load or as a generation asset participating in the wholesale energy markets.

In order to be treated on a comparable basis with conventional transmission assets, SATAs must be controlled by the CAISO when they operate as transmission assets. Further, the CAISO has a more far-reaching view of system conditions and identified needs to address the reliable operation of the grid at any given time than an individual transmission owner would have. The CAISO is in the best position to operate the SATA when functioning as a transmission asset given prevailing system and market conditions. To permit the resource owner to have operational control of a SATA when it is operating as a transmission asset would put at risk the safe and reliable operation of the grid.

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:

SCE agrees with the CAISO's reemphasis that the transmission role of the SATA has primacy. The CAISO should only allow the SATA to participate in markets if such participation does not hinder its ability to fulfill all of its obligations to meet a CAISO transmission system needs. Once, and if, the SATA resource is eligible to participate in the CAISO's energy markets, in order for the CAISO to maintain its independence, it will be essential that the SATA owner be responsible for bidding the resource into the CAISO markets. The innate unpredictable nature of CAISO grid needs necessitates that the CAISO have the right to use the SATA at any time to serve its primary function as a transmission asset. In turn, SATA owners must ensure they are able to provide the transmission service as required by the CAISO.

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

2. Partial cost-of-service based cost recovery with no energy market crediting

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:

SCE supports the element of Option 1 that provides for full cost-of-service based cost recovery, but proposes that any energy market crediting must provide incentives for the asset owner and customers to benefit. The starting point for this option assumes the SATA owner will fully recover through cost-of-service based revenues its SATA costs. This is consistent with how Participating Transmission Owners (PTOs) currently recover their costs for conventional transmission assets. Additional revenues from market participation should benefit the SATA owner and transmission customers. That is, the owner should be allowed to keep some amount of market “profits” and use the additional “profits” to offset costs recovered through the Transmission Access Charge (TAC) to benefit transmission customers.

To incentivize the SATAs to participate in the markets competitively and efficiently, Option 1 should be structured so SATA owners and ratepayers share in the benefits (reduced cost to ratepayers; increased revenues to SATA owners above the amount they would otherwise recover solely through the TAC) on the energy market revenues. Any increased costs or losses resulting from the SATAs’ participation in the energy markets would be strictly borne by the SATAs.

SCE opposes Option 2, which entails partial cost-of-service based cost recovery with no energy market crediting. This option would completely change the current transmission rate paradigm because only a portion, not the entire, costs of transmission would be recovered through the TAC. It would be inappropriate to make such a transformative change to the existing transmission cost recovery structure without considering the much broader implications beyond those limited to the cost recovery impacts in the context of developing a SATA proposal. Moreover, to the extent a SATA is an Order 1000 process, it can largely effectuate this structure by submitting a “cost cap” below its actual costs.

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:

SCE supports the CAISO proposal to maintain the current practice of allocating costs to high- or low-voltage TAC, based on the point of interconnection because it is consistent with the cost recovery treatment of transmission assets in TAC.

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:

SCE agrees with the CAISO that the straw proposal is consistent with the FERC Policy Statement, at least with respect to two of the three identified requirements. The proposal should not inappropriately impact CAISO independence as the resource owner will assume operational control and dispatch the SATA when it is eligible to participate in the wholesale energy markets. Concerning the avoidance of double recovery of costs, this, likewise, appears to be appropriately addressed as the SATA will be compensated cost-of-service revenues when it is operating as a transmission asset and, under SCE's proposal, would earn (and share with transmission customers) additional market-based revenues when participating in the wholesale energy markets. However, it is not entirely clear that the straw proposal does not suppress market prices, as the cost-of-service revenues may potentially be used by the SATA owner to bid a lower energy price into the market. The CAISO should be mindful of this potential outcome when developing the market participation rules which will be included in the new hybrid contractual agreement.

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:

If a storage device being used as a transmission asset has additional capacity beyond what is needed to meet the CAISO's identified transmission need, this additional capacity of the storage device (including its paired generation resource) should be required to go through the GIDAP if the resource owner wants to utilize the incremental capacity for generation purposes. This assumes the storage device can operate in a modular manner such that the resource's capabilities can separately and simultaneously provide transmission and generation services. A major challenge of such an option, among others, assuming it is technically feasible, would be the proper assignment of costs for the shared facilities.

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:

SCE agrees with the CAISO this initiative falls outside the scope of the Energy Imbalance Market Governing Body's advisory role because the initiative does not propose changes to either real-time market rules or rules that govern all CAISO markets.

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:

SCE recognizes that the CAISO typically does not participate in a PTO's rate case submitted to FERC. However, there is a rate-making issue that could emanate from the SATA proposal which would have a bearing on such PTO filings. For example, if a SATA device is recovering its costs through a formula rate mechanism, its actual operating costs may be recovered dollar for dollar, and therefore could possibly be ignored in dispatch/bidding decisions. Alternatively, if the SATA device was recovering its costs under a stated rate mechanism, the operating costs would flow to the owner and thus any operation increasing the units' cost are at risk of being ignored. Thus the rates methodology used by the owner (stated rate or formula rate) may impact the efficient usage of the SATA device. The CAISO should address the ratemaking issues, and the potential need for different CAISO treatment depending on the rate mechanism used, as part of this process.