

# 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 working group meeting that was held on June 29, 2018.



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

**Comments are due July 19, 2018 by 5:00pm**

The working group meeting, hosted on June 29, 2018, as well as the presentation materials discussed during the 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.

### **Informational discussion**

Based on stakeholder comments to the straw proposal, the ISO provided additional information regarding how SATA resources will be considered in the ISO's Transmission Planning Process (TPP). The ISO's working group presentation built on the materials covered through the straw proposal and focused on:

1. Assessments of need and technical requirements
2. Economic evaluation of project alternatives
3. Transmission Asset versus Market Local Resource considerations
4. ISO Operational control of storage assets

Are there additional questions regarding the materials that the ISO provided during the working group process or questions specifically relating to how the ISO will consider SATA resources in the TPP that the ISO has not yet discussed?

**Comments:**

The San Diego County Water Authority (Water Authority) and City of San Diego (City) appreciate the opportunity to provide comments and thank CAISO for its continued stakeholder engagement on Storage as a Transmission Asset (SATA).

The Water Authority and the City continue to support CAISO’s proposed SATA framework particularly the elements related to contracting “SATA resources.” At the same time, the Water Authority and City suggest some refinements to that framework with the following objectives:

- Ensure a broad set of appropriate storage assets (“SATA resources”) are identified and selected consistent with the CAISO TPP principles and ratepayers’ interests;
- Ensure that the selected SATA resources provide the transmission services for which they are selected for at all times when such services are needed;
- Ensure that the lifetime cost of the SATA resources to the ratepayer net of market benefits is accurately quantified and minimized, and
- Incentivize investment in all types of storage assets that meet the above criteria; including long-life “backbone” assets that require large initial investment, such as pumped storage projects.

The Water Authority and City understand that CAISO is concerned with the potential distortion of the market by resource(s) that are partially or fully paid for by the Transmission Access Charge. The Water Authority and City also understand that CAISO’s preference would be to restrict SATA resources from participating in the market and generating any market revenue, even though these revenues would ultimately be credited to ratepayers to reduce the total cost to the ratepayer.

The Water Authority and the City, respectfully, disagree with CAISO’s concerns on this matter.

Theoretically, every transmission upgrade (particularly an economic or policy-based transmission upgrade), immediately and significantly changes the market characteristics and prices (i.e. “distorts the market”). The same phenomenon occurs each time a generation resource is awarded a Reliability Must-Run contract or a Load Serving Entity signs a Power Purchase Agreement for a new resource. Therefore, singling out SATA resources as a misrepresentation of the market would be incorrect and inconsistent with well-established precedents in all organized electricity markets. Creating these kinds of “distortions” is intrinsic to creating the market and investment conditions needed to encourage beneficial outcomes, including privately financed bulk storage to ensure grid reliability from the large penetration of renewable power.

The Water Authority and the City do agree with CAISO that a SATA resource’s projected market revenues should not be included as “transmission benefits” for that project. Instead, such projected market revenues for the SATA resource should be included in the Transmission Planning Process as a reduction in the cost of the resource when calculating the project’s Benefit to Cost Ratio. Additionally, CAISO’s Option 1 - Full cost-of-service based cost recovery with energy market crediting would allow for

investments in large scale, long-duration energy storage projects while also providing a mechanism to help lower the cost of transmission services to ratepayers.

CAISO should also consider the benefits that are not captured in the existing calculation methods when accounting for the “transmission benefits” of a SATA resource. These would be in addition to the standard benefits, such as the avoidance or deferral of identified/known transmission projects that would otherwise be required to address reliability, economic or policy needs. As an example, the Water Authority and City recommend that the ratepayer benefits of reduced renewable curtailments (which are only partially captured from production simulation studies) be fully evaluated and accounted for in calculating the project’s transmission benefit. Specifically, the current Transmission Economic Assessment Methodology (TEAM) calculates the standard benefit of reduced curtailment via the fuel savings associated with reduced curtailments of “zero fuel cost” resources. However, TEAM does not account for ratepayers’ benefits due to savings in the cost of procuring additional Renewable Portfolio Standard (RPS) resources needed to meet the state’s RPS or greenhouse gas reduction targets in light of renewable curtailments (i.e. the avoidance of resource overbuild).

### **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, among others. At the working group meeting, the ISO provided additional details about this proposed new agreement. Please provide comments on this proposal.

#### **Comments:**

The Water Authority and City agree with CAISO on a new, separate, and customized agreement with SATA resource owners. This agreement should include accounting standards to prevent double recovery and conformance with the FERC policy on market participation while receiving rate based cost recovery.

### **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

At the working group meeting, CRI and SDG&E provided additional ideas for cost recovery. Through the discussion, a third option was proposed: Full cost-of-service with partial cost recovery. This option would mitigate risks associated with option 2 and provide incentives that do not exist under option 1. Please provide comments on the proposal and/or comments provided by CRI and SDG&E along with this third option. In comments, please provide a description of how they compare and contrast to the ISO’s first two options, specifically as it pertains the direction provided in the FERC policy statement.

#### **Comments:**

Cost-of-service structure offers certainty for investment recovery and is best suited for large infrastructure projects in sourcing equity and debt at the lowest cost possible benefitting the ratepayers. The Water Authority and the City strongly recommend cost recovery Option 1 be adopted by CAISO for SATA resources.

To minimize cost to the ratepayer, SATA resources should be incentivized to maximize their market revenues outside the period when the resource is needed by CAISO for system reliability purposes.

### **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:**

The Water Authority and City understand that a SATA resource's main role will be to provide transmission services primarily in the interest of system reliability, while at the same time being excluded from providing market services during reliability events. While reliability events may be rare, the Water Authority and City believe a SATA resource should not be excluded from providing market services simply based on long-term reliability studies which are conservative. Instead, a SATA resource should be allowed to provide market services at all times unless subject to recall by CAISO or Participating Transmission Owner operations. This recall procedure would be similar to local and regional Remedial Action Schemes. This approach would enable the SATA resource to maximize its market revenues thereby minimizing costs to the ratepayer.

The Water Authority and City thank CAISO for its consideration of their comments and look forward to continued engagement in the SATA stakeholder initiative.