



June 7, 2018

California Independent System Operator
250 Outcropping Way
Folsom, CA 95630

NextEra Energy Comments on the California ISO's Storage as a Transmission Asset Straw Proposal

NextEra Energy Resources ("NEER") and NextEra Energy Transmission ("NEET" and, together with NEER, "NextEra Energy") appreciate the opportunity to provide comments on the California ISO's ("ISO") Storage as a Transmission Asset Straw Proposal dated May 18, 2018 ("Straw Proposal") for the ISO's consideration.

NextEra Energy's comments are attached to this letter in the Stakeholder Comment Template provided by the ISO.

Sincerely,

Soria Talbot
Director, Regulatory Affairs

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Storage as a Transmission Asset

Stakeholder Comment Template

Submitted by	Company	Date Submitted
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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:

NextEra Energy agrees with the ISO that consideration of Storage as a Transmission Asset (“SATA”) should be included in the ISO’s annual Transmission Planning Process (“TPP”) and emphasizes that SATA solutions should be evaluated to address public policy and economic-driven transmission needs *in addition to* reliability needs. NextEra Energy believes that the scope of this ISO initiative should include public policy and economic-driven SATA to deliver cost savings for consumers and to provide policy benefits for the state.

NextEra Energy also believes that competition is an essential component of the successful implementation of SATA. The unique attributes of SATA, such as an ability to generate market revenues and typically higher O&M costs, will require rigorous scrutiny to ensure that all value streams are maximized for consumers. NextEra Energy argues that competition is the right mechanism to provide the necessary scrutiny, solicit innovative solutions from market participants and maximize customer savings. NextEra Energy therefore suggests that the ISO limit the scope of this initiative to storage projects that are eligible for competitive solicitation (>200 kV), allowing the ISO to move forward quickly building on the lessons learned from planning cycles (*i.e.*, as soon as the next TPP cycle) while leveraging the existing competitive processes (*e.g.*, FERC Order 1000) to evaluate SATAs and expedite the implementation of SATA.

NextEra Energy also urges the ISO to consider other ways to expedite the roll-out of cost-effective SATA solutions by utilizing a phased implementation approach in this initiative. For example, the

development of a new contract for non-PTOs could be handled in a subsequent phase of the SATA stakeholder process.

Background and the ISO’s Transmission Planning Process

The ISO has provided a discussion on how certain stakeholder comments could be addressed within the current 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:

The ISO’s methodology and criteria as applied to traditional transmission facilities are well-established and understood by stakeholders. SATA can certainly be incorporated into the current TPP framework and to some extent has already used this methodology to evaluate and select SATA (*i.e.*, the Oakland Clean Energy Initiative and the Reedley 70kV Reinforcement). To our knowledge, however, the ISO’s evaluation of those storage proposals did not include an assessment of the market revenues potentially available from the selected storage resources.

While providing “clarification of the evaluation process...on a case-by-case basis” is helpful, it would be best for consumers if the ISO clearly defines transparent evaluation criteria to help SATA owners maximize consumer benefits in their TPP proposals. In order to facilitate a better understanding of the evaluation of SATA, the ISO should offer further educational sessions on its evaluation techniques, such as through a “deep dive” reviewing how the Oakland Clean Energy Initiative and the Reedley 70kV Reinforcement were evaluated and selected. NextEra Energy appreciates that the ISO may not want to slow down the current stakeholder process with providing education. To that end, the education could be performed outside of this stakeholder process when the first SATA is approaching Phase 3 competitive solicitation in the TPP.

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:

While NextEra Energy understands the ISO’s goals in proposing to create a separate agreement, a new agreement covering the TCA, PGA, PLA and RMR concepts is an unnecessarily complex way to implement SATA, which could result in delays. The TCA agreement with an amendment covering the SATA-specific needs seems like the easiest and most expeditious way to implement storage. We also agree with Southern California Edison and Pacific Gas & Electric (“PG&E”) that, since the storage asset will be a transmission asset, the SATA agreement should reflect the requirements governing a PTO. By creating a new agreement, the ISO cannot be sure bidders will understand what PG&E has pointed out as the “responsibility to serve” or additional items such as the separation between transmission and marketing functions potentially impacting the integrity of the ISO market. A new agreement also might

raise questions as to applicability of the Standards of Conduct requirement associated with being a transmission owner, which is already addressed by the existing TCA agreement and the related FERC regulations.

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:

NextEra Energy appreciates the ISO's sensitivity to how adjustments to time or frequency in SATA resources could provide market services could impact revenues for the SATA resource opting for partial cost of service. NextEra Energy understands that the predictability of SATA performance obligations over time might change and therefore the ISO might need to adjust the SATA owner's TRR and its access to market revenues. The predictability of cost recovery would be a concern for SATA owners over the life of the asset. Under the partial cost-of-service based cost recovery, NextEra Energy would ask for further clarification on potential resolutions if the ISO and SATA owner were not able to come to terms on the market participation limitations over time. Specifically, it will be difficult for SATA owners to manage market revenue risk if the ISO transmission requirements and market participation limits change either frequently or in order of magnitude (*e.g.*, number of hours or months of the year). One way to balance the ISO's need to reevaluate performance obligations over time with the SATA owners need for revenue certainty would be to clarify how frequently potential changes to SATA requirements would be evaluated (*e.g.*, quarterly, annually, or longer).

Further, as system needs and technology change over time, the ISO should establish a process for evaluating whether to modify operating parameters of the existing storage asset or add incremental storage assets. For example, some storage devices degrade over time depending on how they are utilized. Adding incremental storage capacity could be more cost effective than continuing to alter the terms and conditions of what might be obsolete existing agreements with SATAs.

The ISO also notes that "over reliance on market revenues to justify the necessity of an energy storage resource as a transmission asset runs the risk of looking like a market resource and encroaching on local regulatory authority jurisdiction over resource planning." NextEra Energy contends that the threshold of market revenues should not limit the selection of SATA. If SATA is solving a transmission problem at the least cost, SATA should be the preferred transmission option and the ISO should not eliminate a least cost transmission solution for consumers based on an arbitrary limit on market revenues. A direct comparison would be a traditional transmission project that had a high benefit/cost ratio. In that case, NextEra Energy believes the ISO would not preclude that project from consideration and would value the market efficiency benefits of the project.

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:

NextEra Energy recommends that the ISO allows SATA owners optionality to propose creative competitive structures in their projects that incorporate competitive market participation for the benefit of consumers.

NextEra Energy believes that the best way to incentivize market participation in the full cost-of-service recovery option is to subject all SATA projects to competition. Without competition, a SATA owner would be able to build a project with no cost certainty, choose to have full cost recovery, and have no obligation to optimize market participation -- all to the detriment of consumers. With competition, the ISO would solicit projects from SATA owners that may be willing to not only cap the cost of projects but also guarantee market revenues. Further, competition will also motivate SATA owners to optimize the level of O&M expenses required to generate those revenues. With full cost recovery without competition, SATA owners may not optimize market revenues and O&M expenses and potentially pass higher costs on to customers.

SATA projects that are not subject to competition should not be eligible for full cost recovery as there is no guarantee for consumers on the potential to receive market benefits.

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:

NextEra Energy believes there is an opportunity for multiple voltage classes being served by one storage resource. For example, a storage device located in a substation with multiple voltages may be serving reliability services at several voltage levels. NextEra Energy contends that when this is the case, the project is a regional project because of its ability to serve lower and higher voltage needs. Therefore, when there are multiple voltages levels being served by a storage solution, the ISO should default to the higher voltage for cost allocation and competitive solicitation.

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:

NextEra Energy agrees that the straw proposal is consistent with FERC Policy Statement.

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:

The use of one interconnection point for multiple generators is not a new or unique issue in the industry and in fact is fairly well utilized. Generators will typically share the cost of the interconnection and the access to the interconnection on a prorated basis based on overall capacity.

Applying this methodology to SATA, the SATA could be co-located with a generator and the interconnection be sized for both resources (the SATA being assigned the amount of capacity needed in the TPP and the generator based on its interconnection request). NextEra Energy believes this solution could be easily implemented to allow storage to provide the needed transmission responsibilities without concerns over access to interconnection 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:

No Comments

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 Comments