

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.



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:

The scope of this initiative – exploring whether and how a resource simultaneously could earn a cost-of-service rate of return as a transmission asset and participate in the CAISO’s wholesale markets – is reasonable. At the onset, and to be clear, NRG does not support such dual participation. The CAISO’s

proposal to condition such dual participation on the predictability of the reliability need for the resource in its cost-of-service mode, while novel, is based on the premise that the reliability need for the resource can be precisely predicted. Such an assumption is implausible, and the potential for this resource to detrimentally impact prices or be used in a manner outside of the need for which it has been assigned to be a cost-of-service resource is high. For these reasons, and for others, NRG does not support allowing dual cost-of-service and market participation.

Further, allowing the merchant portion of the storage resource access to proprietary transmission function information would seriously erode the standards of conduct rules that protect against unfair competition by transmission providers in the wholesale market. Thus, to the extent that ISO allows storage-as-transmission resources to participate in the wholesale energy market, the rules should ensure that, when participating in the merchant market, the owner follows the standards of conduct rules to ensure that no transmission function information is provided to the storage resource's merchant function.

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:

NRG strongly agrees with the proposition that the ISO's transmission planning process *should* allow consideration of non-transmission alternatives to reliability problems. [Straw Proposal at 12]. However, in NRG's experience, the CAISO's Transmission Planning Process ("TPP") has never served as a viable platform for the consideration of non-transmission alternatives. As one example within the past decade, when NRG proposed a non-wires alternative to a transmission project, the CAISO indicated that procurement of non-wires resources was outside the scope of the transmission planning process and approved the proposed transmission project without ever considering the alternative. It is unclear where the CAISO suddenly located this additional authority to consider non-wires alternatives as part of the TPP. To the extent that the CAISO asserts the authority to consider *storage*-based, but not *conventional* resources, as non-wires alternatives, we would request clarity on how such a scheme would be allowed under the anti-discrimination provisions of federal law.

Additionally, while the Straw Proposal points to last year's Moorpark Sub-Area Local Capacity Alternative Study to advance the premise that the CAISO's Transmission Planning Process provides a platform for facilitating the evaluation and use of non-transmission alternatives, that study was done on an *ad hoc* basis completely outside of the TPP and not at the request of the entity to whom it was ultimately offered. Moreover, while that study identified viable non-transmission alternatives, the CAISO, in keeping with the history of the TPP to date, ultimately chose to reject the non-transmission alternatives and approve a transmission project – a transmission project that the CAISO initially rejected in favor of meeting the local reliability need with local generation.

Adopting a “case-by-case” approach to evaluating non-transmission alternatives as a purported part of the TPP practically invites continued discrimination in favor of transmission solutions. If the CAISO is serious about using the TPP to evaluate non-transmission alternatives in a fair way, it must incorporate an equitable, repeatable, transparent way to consider non-transmission alternatives as a regular, not exceptional, part of that process.

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:

The CAISO’s preference to control SATAs when they operate as transmission assets brings into question whether such direct control is consistent with the FERC’s Policy Statement, specifically with Issue #1 – (whether such resource could result in undue market price suppression), and Issue #2 (whether the CAISO’s direct control of such resources surfaces concerns about the CAISO’s independence). We discuss the Policy Statement below.

The new agreement the CAISO envisions as a confluence of four separate agreements will be complex and contentious. NRG believes that developing such an agreement is likely to be a difficult and lengthy endeavor.

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:

The CAISO proposes that whether a storage resource could engage in dual cost-of-service and market participation depends on the predictability of the cost-of-service based use of the storage resource. Specifically, the CAISO proposes that if the reliability need for the resource is unpredictable, the resource could not engage in dual market-based and cost-of-service based participation.

As noted above, this approach, while novel, does not seem workable. The likelihood that the need to use a storage resource could be both precisely predicted and limited to a narrow set of conditions seems low. The temptation for the CAISO to use a cost-of-service outside of the narrow conditions for which it was primarily intended as a transmission asset will be strong. Where a storage resource is developed as a transmission asset, there should be a transparent and verifiable way for market participants to ensure that the resource is being used only for its intended purpose.

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:

To ensure that Option 2 does not result in double recovery in violation of the third principle of FERC's policy statement either requires making a very accurate forward estimation of market or truing up the amount of partial cost-of-service cost recovery paid after the fact based on actual market revenues. While NRG does not support dual cost-of-service and market participation, Option 2 is the most problematic model of dual participation.

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:

No comment.

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:

As quoted in the Straw Proposal, the FERC policy statement lays out three issues relevant to allowing a storage resource to participate in wholesale markets and receive cost-of-service treatment as a transmission resource:

- 1) The potential for cost recovery through cost-based rates to inappropriately suppress competitive prices in the wholesale electric markets to the detriment of other competitors who do not receive such cost-based recovery;
- 2) The level of ISO control over the operation of an electric storage resource could jeopardize its independence as the market operator; and
- 3) The potential for combined cost-based and market-based rate recovery to result in double recovery of costs by the electric storage resource owner or operator to the detriment of the ratepayer.

With regards to issue (1), there is nothing in the Straw Proposal that addresses this issue. Presumably, this issue would have to be addressed through market participation rules that either condition the level of the bids submitted by the storage resource or prevent the storage resource from setting price in the

energy or ancillary service markets. Moreover, determining and conditioning the level of bids from the storage both to store and produce energy will be a highly subjective effort, given that those bids largely depend on perceptions of future energy prices.

Similarly, issue (2) could be addressed, in theory, by rules that (1) govern the level of the bids submitted by the storage resource; (2) limit the storage resource’s ability to set price; and (3) limit the CAISO’s ability to use a cost-of-service resource (i.e., allow the CAISO to dispatch the resource only under narrowly defined reliability conditions). Issue (2) also requires that market participants have transparent visibility as to the CAISO’s use of the storage resource.

The only way that a resource could be guaranteed to not trigger issue (3) is if all market revenues are credited back against the resource’s cost of service payments. If a resource elected “partial cost-of-service based cost recovery with no energy market crediting” the combination of its market revenues and its cost-of-service recovery could easily exceed the resource’s cost-of-service revenue requirement. Whether a resource operating under this model would or could earn double recovery would depend both on the level of the partial cost of service recovery and the level of market revenues. Given that market revenues can be notoriously difficult to predict, the partial cost-of-service model cannot and does not address issue (3).

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:

No comment.

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:

NRG agrees with the CAISO’s position.

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 comment.