

# 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:**

The CAISO has consistently pointed out during this initiative that when an energy storage asset is selected to solve a specific transmission need or issue, the transmission need served by the resource takes precedence. This point has been clarified by establishing the following as part of the CAISO's contractual arrangements with a SATA entity: confirming CAISO as the party with operational control, instituting recallability of the SATA by the CAISO, and obligating the SATA entity to maintain the SATA resource's full capability to provide transmission service for the full term of the contract or transmission need. These operational and contractual considerations make clear that a selected SATA resource is primarily being selected to serve a transmission function.

However, the CAISO is now considering the imposition of a Must-Offer Obligation (MOO) for direct assigned SATA projects under the full cost-of-service based cost recovery option [Option 1], which would be required for such projects. The CAISO's reasoning is that since these projects do not have an incentive to participate in the market, the MOO will compel such participation. While ITC believes it is appropriate for direct assigned SATA projects to use a full cost-of-service cost recovery option, we are concerned that the imposition of a MOO for a resource that has been selected to perform a transmission function does not take into consideration the need for the SATA to be continuously available to provide transmission service, and that [as the CAISO itself observed earlier in this stakeholder initiative] the SATA resource is only incidentally being made available to the market.

As we previously commented, one concern with regular market participation by a storage asset that is being relied upon to meet a transmission need is the impact of that participation on the asset's useful life, resulting in costs to repair or replace the asset. The CAISO has proposed to address this concern by allowing the SATA resource to recover maintenance costs in its cost-of-service transmission revenue requirement. ITC notes that while the CAISO may propose to allow this, the recovery of such costs is likely subject to FERC approval. Additionally, there are concerns with regular SATA market participation that the CAISO does not appear to have considered – such as the extent to which these assets would be available to the CAISO when needed for transmission service, and the level of market participation [and the associated rate of asset degradation and need for maintenance and/or replacement] that is appropriate for both the CAISO and the SATA entities to assume.

**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:**

ITC believes that in the event there are fewer than three qualified SATA project sponsors in the TPP phase 3 competitive solicitation process, it is appropriate for the bids of SATA entities to be evaluated based on a full cost-of-service cost recovery model. In our comments on the revised draft proposal, we asserted that the CAISO should assume no energy market revenue crediting or sharing in evaluating the SATA project sponsors’ full cost-of-service bids, since our assumption was that this would be comparable with the cost recovery method to be used by a Participating Transmission Owner (PTO) for a direct assigned SATA project.

However, the CAISO has since introduced a potential Must-Offer Obligation to be imposed upon direct assigned SATA project resources under the full cost-of-service recovery model [Option 1] that it has outlined, with an associated eligibility for those resources to recover all maintenance costs in the transmission revenue requirement. ITC has offered some concerns with that approach [see preceding “Cost Recovery Mechanism” section comments]. However, for purposes of this discussion, we simply note that all relevant aspects of the full cost-of-service cost recovery option should be available to qualified SATA project sponsors participating in the TPP phase 3 competitive solicitation process on a comparable basis to incumbent PTOs for direct assigned projects.

With the above caveat, ITC supports this aspect of the CAISO’s proposal.

**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:**

ITC supports with caveats the CAISO’s proposed modification to establish three defined SATA contract durations of 10, 20, and 40 years. Our reluctance to support this modification without caveats is primarily based on the lack of details currently available for each pro forma agreement duration type, especially the unique terms and conditions, and the resource types to which each would apply. Although

the CAISO has invited stakeholders to provide comments in order to conceptually develop each of the three pro forma agreement options, this concept would benefit from another iteration to flesh out additional details before the CAISO issues a final proposal.

As we previously indicated, ITC appreciates and shares the CAISO's concerns regarding the potential for regular market participation to shorten the useful asset life of a SATA resource, and the associated impact on maintenance and other costs. We continue to agree with other stakeholders that the most straightforward way to incent SATA resource owners to maintain the full capability of SATA resources to meet the transmission need for which they were selected is to include such provisions in the SATA agreement. As such, ITC supports the elimination of the previously-proposed TRR credit mechanism from this iteration of the CAISO's proposal.

### **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:**

ITC supports with caveats the CAISO's proposal to provide notification to a SATA resource after the day-ahead market closes, but prior to real-time market runs, regarding the resource's eligibility to participate in the real-time market; and to conduct a load-based notification test process to determine the resource's eligibility to participate in the real-time market. As further explanation for the support "with caveats," we point out that while these elements seem reasonable, the CAISO has made several revisions to its proposal for notifying a SATA resource of its ability to participate in the market. The load-based notification test and notification timing prior to the real-time market run represent the CAISO's latest in a series of proposals, and it would be reasonable to offer stakeholders sufficient time to digest and provide feedback on them prior to issuing a final version. On the substance of the notification timing, we observe that providing notification only in advance of the real-time market may not give SATA entities sufficient certainty regarding their eligibility for market participation to allow for the structuring of bids in the TPP phase 3 competitive solicitation process or to obtain financing.

### **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:**

ITC supports with caveats the CAISO’s revised straw proposal as consistent with the FERC Policy Statement. Specifically, we note that the FERC Policy Statement provides guidance on issues to be addressed if resources seek to receive cost-based rate recovery for certain services while also receiving market-based revenue for other, separate services. It is not clear to us that the FERC Policy Statement contemplates a situation in which an energy storage asset is selected to serve a transmission function and is then compelled by a Must-Offer Obligation (or similar mechanism) to provide market-based services on a regular basis. Routine market participation by a SATA resource would likely cause the resource to be periodically unavailable to provide the transmission service for which it was selected, or would cause customers already paying its cost-of-service transmission revenue requirement to pay increased maintenance, warranty or other costs, thereby leading to cross-subsidization between these two types of services.

**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:**

ITC does not typically attend CAISO stakeholder meetings in person, and defers to the CAISO and other stakeholders as to whether an in-person meeting is held to discuss the draft final proposal.

**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:**

ITC appreciates the CAISO’s consideration of these comments, and stands ready to discuss them or to provide further clarification as needed.