

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

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:

During the June 29, 2018 SATA Working Group meeting, the California Independent System Operator (“CAISO”) discussed the need to consider battery lifetime and replacement rate in its reliability and economic transmission project cost benefit analysis. The Office of Ratepayer Advocates (“ORA”) supports the consideration of these factors in the CAISO’s evaluation. The CAISO’s evaluation should also include sensitivity analyses to determine whether, and to what extent, continued advancements in battery technology will impact battery replacement costs and battery capacity.

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:

ORA recommends that the terms of the contracts for the partial cost-of-service cost recovery option (“Option B” or “Option 2”),¹ include the requirement that storage developers and/or participating transmission owners (“PTOs”) submit monthly financial reports demonstrating their financial strength. These reports will assist the CAISO in determining if, and when, a SATA contract should be terminated if the SATA is not able to cover all its costs for the duration of the contract. These monthly updates should be confidential and only submitted to the CAISO. Without this information, the CAISO will not have advance notice that a SATA resource must be replaced because it is no longer financially viable. This risk was illustrated in the Center for Renewables Integration presentation during the June 29, 2018 CAISO SATA Straw Proposal.²

¹ In the *Storage as a Transmission Asset* Issue Paper, the CAISO identifies the partially in “rate base” cost recovery option as Option B. However, in the *Storage as a Transmission Asset* Straw Proposal, the CAISO changes the name of this option to the partial cost-of-service based cost recovery and no energy market crediting option and identifies it as both Option 2 and Option B. Likewise, the CAISO has utilized Option 2 and Option B to refer to the same cost recovery option during the Working Group meeting.

² Center for Renewables Integration Cost Recovery Comments Summary presentation, June 29, 2018, slide 3 entitled Potential Risk and Benefits of Options A & B”

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:

Full cost-of-service cost recovery option (“Option A” or “Option 1”):³

As stated in its comments on the Issue Paper issued on April 20, 2018⁴ and on the Straw Proposal issued on June 7, 2018,⁵ ORA supports the concept of Option A, and supports the version that is currently presented, because it reflects reduced operating risks to the CAISO, and could potentially reduce TAC ratepayer obligations.

Specifically, Option A would provide 100% cost recovery for a SATA through Transmission Revenue Requirement (“TRR”). A SATA could also participate in the market under this option if this activity does not inhibit its primary function, which is to provide transmission services. Any revenue SATA receives from market activity would offset the TRR obligation for the SATA under this option.

Given Option A's operation parameters, Option A seems better suited for meeting unpredictable system reliability needs (e.g., if storage was needed for ramping, but not during a predictable time frame that would allow scheduled market participation) than Option B. However, for predictable reliability needs that would allow for more periods of market participation, Option B would possibly be a better option for ratepayers.

³ In the *Storage as a Transmission Asset* Issue Paper, the CAISO identifies the wholly in “rate base” cost recovery option as Option A. However, in the *Storage as a Transmission Asset* Straw Proposal, the CAISO changes the name of this option to the full cost-of-service based cost recovery and energy market crediting option and identifies it as both Option 1 and Option A. Likewise, the CAISO has utilized Option 1 and Option A to refer to the same cost recovery option during the Working Group meeting.

⁴ ORA Comments on *Storage as a Transmission Asset* Issue Paper, April 20, 2018, p. 3.

⁵ ORA Comments on *Storage as a Transmission Asset* Straw Proposal, June 7, 2018, p. 3.

Option A satisfies all of the directions provided in the FERC policy statement:⁶ It allows the participation of a SATA in the market, ensures cost-competitiveness with transmission, avoids double-recovery for the same service, does not suppress market bids, and maintains the CAISO's independence.

Partial cost-of-service cost recovery option ("Option B"):

ORA also supports the concept of Option B, but has concerns with the version that is currently presented. Option B is more appropriate for meeting predictable system reliability needs, since this option assumes that the storage asset would recover a portion of its costs through the TAC and then participate in the market to recover the remainder of its costs, at a minimum. The concern ORA has with Option B is that it poses a greater risk to ratepayers. If a SATA is unable to recover its costs and is no longer able to provide the necessary transmission services, then it exposes ratepayers to additional costs for replacing that SATA. ORA supports a SATA's participation in the market through Option B, during the time frames the SATA is not needed for transmission services, only if a SATA's responsibilities are predictable and is competitively bid for in the Transmission Planning Process ("TPP").⁷

Option B also satisfies the FERC policy statement.

Alternative cost recovery option ("Option A+"):

As initially suggested during the May 24, 2018 stakeholder meeting on the SATA Straw proposal, Option A+ provides the same cost recovery guarantee as Option A. However, Option A+ differs from Option A in that it provides an incentive for market participation by allowing SATAs to split its market revenue into two; one portion is credited against the TAC and the other portion is kept as profit.

As stated in its comments on the Straw Proposal on June 7, 2018,⁸ ORA does not see the need for an incentive for market participation for SATA at this time, as a SATA would need to participate in the market to store or release energy in order to be ready to fulfill its transmission responsibilities. If a SATA is receiving 100% cost recovery through the TAC, then its market participation revenues should be credited towards ratepayers' TAC obligation. For these reasons, ORA does not support the proposed Option A+ at this time.

⁶ *Utilization of Electric Storage Resources for Multiple Services When Receiving Cost-Based Recovery*, 158 FERC ¶61,051 (2017) ("Policy Statement").

⁷ During the SATA Working Group meeting, the CAISO indicated that it would not allow local project to utilize Option B because they are not open to the TPP Phase 3 competitive solicitation process.

⁸ ORA Comments on *Storage as a Transmission Asset* Straw Proposal, June 7, 2018, p.3.

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:

ORA recommends that the CAISO confirm that a SATA will pay transmission costs when it operates in the market at times other than when it is fulfilling its transmission responsibilities, consistent with FERC Order 841.⁹ ORA requests that the CAISO provide an update on the status of FERC Order 841 at the next SATA stakeholder meeting.

Additionally, ORA recommends that the CAISO require a SATA to cap its costs recovered through the TAC at the cost it originally submitted in its bid.

⁹ *Electric Storage Participation in Markets Operated by Regional Transmission Organizations and Independent System Operators*, 162 FERC ¶61,127 (2018) (“Order 841”).