CESA
CALIFORNIA ENERGY STORAGE ALLIANCE

Comments of the California Energy Storage Alliance on Reliability Services Issue Paper

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The California Energy Storage Alliance (CESA) is pleased that the CAISO is considering energy storage juxtaposed with preferred resources in its Reliability Services Issue Paper posted on January 28, 2014 (Issue Paper). The CAISO's commitment to energy storage is greatly appreciated, and CESA looks forward to a continued active role in this stakeholder process, including participation at the Reliability Services Working Group Session scheduled on February 24, 2014. CESA certainly agrees, "there has been a general recognition that non-generation resources such as demand response, energy efficiency, *and storage* are valuable resources to meet state environmental policy goals and energy grid operational requirements. These necessitate increased coordination between agencies and a longer term planning horizon for all market participants." (p. 3).

CESA is also very pleased that the need for flexible capacity is being considered in the Issue Paper, as well as the CAISO's emphasis that energy storage, and preferred resources, will generate a greater share of the required capacity and displace traditional resources in the coming years. Specifically, CESA agrees that the Flexible Resource Adequacy Criteria and Must-Offer Obligation (FRAC-MOO) requirements should be included as an additional category as part of the capacity procurement mechanism (CPM), and allow backstop for flexibility requirements in addition to the current backstop for local and system requirements.

CESA certainly agrees that the CAISO should explore "use-limited resources" in more detail. As more of these resources come online and are procured and planned for "The rules must ensure that the ISO is getting the right resource capability at the right time and in the right location to efficiently operate the grid. Use-limited resources include resources with environmental or significant operational limits. As use-limited and preferred resources provide a greater share of the required capacity and displace traditional resources, it is imperative that these resources provide the operational characteristics needed to reliably operate the grid. It is equally important that proper incentives are introduced to induce these resources to provide the energy and operational characteristics required during the periods when they are most needed." (p. 4).

The CAISO should build upon the FRAC-MOO design with regard to the rules for the flexible capacity offer obligations. The current definitions, however, need to be further defined to better reflect where and how storage resources apply. The CAISO should consider energy storage's specific characteristics and added value as it pursues development of availability and performance mechanisms for flexible capacity and updating the existing resource adequacy program tariff requirements. These characteristics also need to be thoroughly considered as the CAISO plans to evaluate capacity types and establish minimum eligibility requirements for providing a suite of standard products.

Ongoing discussions among stakeholders reinforce the importance of unbundling treatment of system, local, and flexible capacity remaining a fundamental design principle. This key consideration highlights the importance of coordination of the rules for qualifying capacity (QC) and effective capacity (EFC) that are now being developed concurrently at the CPUC and CAISO.