COMMENTS OF THE CALIFORNIA ENERGY STORAGE ALLIANCE:

Revised Reliability Services Straw Proposal, August 11, 2014

Submitted by	Company	Date Submitted
Chris Edgette 510.665.7811 x102 cedgette@storagealliance.org	California Energy Storage Alliance	September 8, 2014

The California Energy Storage Alliance (CESA)[1] appreciates the opportunity to participate in and comment on the Reliability Services Workshop held on August 18, 2014. CESA appreciates the work that has been done on the reliability service Initiative (RSI) to date, and wishes to respond to the Revised Straw Proposal with specific reference to the Default Energy Bid (DEB) for Non-Generator Resources.

Default Energy Bid Methodology for Non Generator Resources

CESA recognizes that the DEB construct may be problematic for Non-Generator Resources (NGRs). For many energy storage resources, the appropriate cost of discharge energy will be based upon multiple factors, including: previous charging energy cost, round trip efficiency, cycle cost of the energy storage technology, and opportunity cost based upon likely future charge and discharge prices.

Similarly, charging energy bids for an energy storage resource should take into account factors that include: previous discharge energy price, round trip efficiency, cycle cost of the energy storage technology, and opportunity cost based upon likely future discharge and charge prices.

Due to the complexity of bidding an energy storage resource, CESA recognizes that calculating a DEB for energy storage will be challenging, and may require taking into account factors that are not currently accounted for in the existing DEB methodology.

CESA understands that DEBs are employed in two scenarios: (a) bid insertion when the Scheduling Coordinator has not included a bid during a Must Offer time period and (b) in situations where a resource is determined to have market power.

Given that energy storage resources are unlikely to have market power in the near term, and that appropriately bidding energy storage resources is complex, CESA proposes a temporary

[1] The views expressed in these Comments are those of CESA, and do not necessarily reflect the views of all of the individual CESA member companies. (http://storagealliance.org)

strategy. In this strategy, NGRs would negotiate a reasonably appropriate DEB, as is done today with with Potomac Electric Power Company. Additionally, Scheduling Coordinators for energy storage resources should be encouraged to economically bid into all must offer obligation segments to maximize the value of each resource.

This possible strategy is not perfect, as negotiated DEBs will not account for all of the above factors. However, if: (a) SCs provide economic bids in accordance with the offer obligation of their resources and (b) energy storage resources do not have market power – the DEB would not be required to be used.

CESA asks the CAISO to consider a future DEB structure that could account for the *actual* charging and discharging costs of an energy storage resource, but believes that the issue could generally be dealt with in the near term by means the temporary solution proposed above.