

COMMENTS OF THE CALIFORNIA ENERGY STORAGE ALLIANCE:

Reliability Services Workshop, March 27, 2014

Submitted by	Company	Date Submitted
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The California Energy Storage Alliance (CESA)¹ appreciates the opportunity to participate in and comment on the Reliability Services Workshop held on March 27, 2014. CESA certainly supports the view expressed in the Joint Reliability Plan² that California should be planning for the grid needs of the future, not the grid needs of the past. CESA strongly supports the historic opportunity to work with the CAISO, and stakeholders including the California Public Utilities Commission (CPUC), California’s utilities, and other load serving entities (LSEs) to define an approach to Reliability Services and Resource Adequacy (RA) that allows all electric system resources, including energy storage, to participate where they provide the most value to grid reliability, ratepayer benefit, and benefit to society.

Creation of a Reliability Services Auction to facilitate forward procurement of capacity should enable preferred resources and energy storage to participate in many business models and various financing options—allowing for the accelerated deployment of energy storage technology and greater integration of renewable and other preferred resources. As examined in depth by stakeholders at the CAISO/CPUC 2013 Long-Term Resource Adequacy Summit, long-term capacity procurement is a key policy gateway issue in California, and CESA is actively engaged in the dialogue among stakeholders for multi-year procurement of preferred resources and energy storage.³

CESA is also eager to participate in the next Reliability Services Working Group Meeting scheduled for April 23, 2014. During that meeting, CESA hopes to hear and respond to more details about the CAISO’s straw proposal draft, including how the market mechanisms are being proposed to compensate resources for the grid services provided. This should include accounting for the capabilities that resources contribute to meeting at least the following system needs:

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>)

² Adopted November 14, 2013.

³ See generally, *Long-Term Resource Adequacy Summit Briefing Book*, February 26, 2013 (<http://www.caiso.com/Documents/BriefingBook-Long-TermResourceAdequacySummit.pdf>)

- Energy and capacity
- Dispatchability
- Speed of response
- Fit with resource portfolio

CESA is pleased that the CAISO is considering energy storage paired 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 in the scheduled sessions of the Reliability Services Working Group. 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, "[t]he 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 clarified to better reflect where and how energy 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 RA program 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.