



January 11, 2017

California Independent System Operator Corp.  
250 Outcropping Way  
Folsom, CA 95630

RE: Frequency Response Stakeholder Process Phase 2

To the California ISO:

Alevo USA Inc. (“Alevo” or the “Company”) appreciates the opportunity to provide Comments in the above-referenced matter. California Independent System Operator Corp. (“CAISO”) seeks to examine a market structure to ensure that it has enough resources to provide primary frequency response, after determining that it was at risk of not complying with North American Electric Reliability Corp. (NERC) Reliability standard BAL-003-1.1. CAISO sought and received approval for an interim compliance solution September 16, 2016. The goal of this stakeholder process is to develop a market structure that will enable CAISO to have sufficient primary frequency resources to comply with BAL-003-1.1.

#### **ABOUT ALEVO**

Alevo is a U.S.-based manufacturer, project developer and systems integrator of lithium-ion batteries. Alevo employs more than 200 people in its Concord, North Carolina, production and assembly factory. Alevo’s corporate office is in Switzerland and operates research and development in Germany.

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## **CONTACT INFORMATION**

Appearing on behalf of Alevo in this matter is:

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## **COMMENTS**

CAISO should utilize a market-based approach to ensure that it has the resources necessary to comply with NERC's BAL-003-1.1, Frequency Response and Frequency Bias Setting. Finding competitive solutions for market needs is a bedrock principle that has guided the development of competitive electric markets in the United States for decades.<sup>1</sup> Competitive markets are transparent, ensure efficient allocation of resources and encourage innovation. The solution to ensuring that CAISO has adequate resources that can provide primary frequency response ("PFR") should be no different.

The regional transmission organization's Issue Paper on Frequency Response Phase 2 kicks off a stakeholder process that will outline how a PFR market might be structured in a way that drives transparency and price formation in a just and reasonable manner. In a move that demonstrates that its current market design may not be adequate, CAISO reached a temporary solution to its compliance needs in Phase 1, when it agreed to bilateral contracts with other balancing authorities in the Western Interconnect. While this arrangement was approved by the Federal Energy Regulatory Commission ("FERC") it left the public and electric ratepayers

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<sup>1</sup> See FERC Docket RM01-12-000 and FERC Whitepaper on Wholesale Power Market Reform [https://www.ferc.gov/media/news-releases/2003/2003-2/White\\_paper.pdf](https://www.ferc.gov/media/news-releases/2003/2003-2/White_paper.pdf)

guessing as to the cost-effectiveness and competitiveness of the arrangement, something competitive markets are by definition designed to prevent.

Alevo supports the design principles outlined by CAISO in its Frequency Response Issue Paper. Alevo agrees that the design should be technology neutral, that the design should send proper signals to enter the market, and that resource owners should be compensated for primary frequency response services provided.

Markets should be designed in a technologically-neutral manner because, if the market is designed with a particular technology in mind, it will stifle innovation and lead to inefficiencies and, ultimately, higher costs for customers. A well-functioning market should also utilize price signals and incentives to reward technologies that satisfy market needs. Alevo therefore agrees with CAISO's recognition that resources should be paid for performance, which means that the market should reward resources, such as batteries, that can quickly and more accurately react to changes in grid frequency than synchronous generators.<sup>2</sup> Alevo supports CAISO's interest in fast frequency response signals, such as those utilized by ERCOT or PJM Interconnection.<sup>3</sup>

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<sup>2</sup> California ISO Frequency Response Phase 2 Issue Paper, page 31

<sup>3</sup> California ISO Frequency Response Phase 2 Issue Paper, page 25

Alevo looks forward to participating in the stakeholder process going forward. Please feel free to contact me with further questions.

Respectfully Submitted,

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