

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 second revised straw proposal that was posted on October 16, 2018.



Submit comments to InitiativeComments@CAISO.com
Comments are due November 6, 2018 by 5:00pm

The second revised straw proposal, posted on October 16, 2018, as well as the presentation discussed during the October 23, 2018 stakeholder meeting, may be found on the [Storage as a Transmission Asset](#) webpage.

Please provide your comments on the second revised straw proposal topics listed below, as well as any additional comments you wish to provide using this template.

Cost Recovery Mechanism

The CAISO has proposed three 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
3. Full cost-of-service based cost recovery with partial market revenue sharing between owner and ratepayer

Additionally, the CAISO envisions two potential scenarios for option 1: Direct assigned SATA projects and 2) when the project sponsor bids into TPP phase 3 competitive solicitation process, selecting this option. The CAISO has proposed the rules governing SATA bidding and cost recovery eligibility would differ slightly between these two scenarios. Please provide comments on these three options, including the two scenarios under option 1 and any other options the CAISO has not identified.

Comments:

Proposed options

As noted in EDF-R’s earlier comments, EDF-R continues to believe that Option 2 is not necessarily reasonable as proposed and should be redefined as “Partial cost-of-service based recovery with possible energy market crediting.” The project sponsor should specify in its bid the degree of energy-market revenue sharing, if any. This redefinition would be more nuanced and logical than Option 2 as defined.

It makes sense that: (1) the greater the “guaranteed” cost-of-service coverage through the TAC, the greater the share of market revenues that ratepayers should be entitled to through crediting; and (2) full cost-of-service coverage would be combined with a large degree (up to 100%) of full market-revenue crediting. However, Option 2 would allow near-full TAC cost coverage (e.g., 99%) but not allow for any market-revenue crediting. If ratepayers are providing substantial TAC cost coverage, the CAISO should provide a structure that allows the bid to include substantial revenue crediting.

Market participation by SATAs with full TAC recovery

The CAISO proposal would impose a Must-Offer Obligation (MOO) on incumbent transmission providers awarded a non-competitive (“direct assignment”) SATA contract, even though such awards would be limited to Option 1. EDF-R has no opinion generally about this proposal as long as it is not imposed on SATAs awarded through the competitive process under Options 1 or 3 (which EDF-R would strongly oppose).

However, there is no apparent reason why CAISO should compel SATAs with 100% TAC cost recovery to participate in the market. They are not currently forced to do so; moreover, forcing such participation seems to be beyond FERC’s directives, as well as the CAISO’s stated scope to explore how SATAs could also “provide market services,” not how they must do so.

Options in the event of insufficient qualified project sponsors

The CAISO proposal would require all SATA project sponsors to also submit a full cost-of-service bid as described in option 1, above. This bid would to be used in instances when there is fewer than three qualified project sponsors.

Please state your organization’s position as described in the Second Revised Straw Proposal (support, support with caveats or oppose). If you support with caveat or oppose, please further explain your position and include examples.

Comments:

EDF-R opposes this proposal as arbitrary. It is entirely possible that a solution beneficial to ratepayers could be submitted and selected even if only two bids were submitted in TPP Phase 3.

Instead EDF-R suggests that the CAISO instead rely development of an “avoided cost” transmission option. Even if fewer than three bids are submitted, the CAISO could select one of them (instead of defaulting to Option 1) as long as the cost is less than this transmission option.

Contractual Arrangement

The CAISO proposes to establish defined three contract durations: 10, 20, and 40 years.

Additionally, the CAISO has eliminated its previously proposed TRR capital credit in favor of contractual requirements for maintenance of the resources.

Please provide comments on these two modifications to the CAISO's proposal, stating your organization's position as described in the Second Revised Straw Proposal (support, support with caveats or oppose). If you support with caveat or oppose, please further explain your position and include examples.

Comments:

EDF-R supports the CAISO's contract proposal generally. Contracting for and financing SATAs will be greatly simplified by the need to execute only one agreement, e.g., by avoiding questions about how the SATA's obligations or rights under multiple agreements interact with each other.

The three proposed contract terms seem reasonable initially, given the somewhat limited varieties of typical SATA technology today. However, the CAISO should work to develop an analysis framework that could consider any potential useful life – e.g., where a SATA resource guarantees a higher level of market revenues and thus wishes to bid with a lower asset life.

EDF-R fully supports replacement of the Transmission Revenue Requirement (TRR) credit mechanism previously proposed with contractual requirements for maintenance of the resource. That earlier proposal was overly complex and would have impaired SATA owner ability to recover its costs in the market under Options 1 and 2

Market Participation

The CAISO has proposed that a SATA resource will be provided notification regarding its ability to participate in the market prior to real-time market runs, but after the day-ahead market closes.

The CAISO will conduct a Load based SATA notification test to determine a SATA resource's eligibility to participate in the real-time market.

Please state your organization's position as described in the Second Revised Straw Proposal (support, support with caveats or oppose), including any alternative proposals. If you support with caveat or oppose, please further explain your position and include examples (please note that any alternative proposals should be specific and detailed).

Comments:**General comments**

EDF-R supports the proposed framework generally, including: (1) daily notices where SATA market participation will be allowed; and (2) use of Exceptional Dispatch (ED) if the SATA is unexpectedly needed as transmission, and commitment or dispatch must be modified intra-day.

However, if a SATA is recalled from market participation (through an ED or otherwise), the CAISO should ensure that the SATA is made whole, i.e., is not liable for imbalance or other charges for not following the regular market dispatch. EDF-R believes that this feature is needed if the CAISO unexpectedly must reassert operational control over the SATA.

Market participation determination and notices

The CAISO proposal would provide notice in a timeframe that would enable SATA participation in the Real-Time (RT) market but not the Day Ahead (DA) market. Given the potential benefits of allowing SATA participation in the DA Market (e.g., possible Ancillary Services sales and revenues), the CAISO should consider the GridBright proposal to increase the proposed 10% operational margin that would be used in determining the transmission need for the SATA, to a level that might make CAISO operators comfortable with earlier notice that would enable DA market participation by SATAs.

However, the larger operating margin could result in SATA identification as storage more often, potentially limiting market-participation opportunities when the CAISO's current proposal might not. Thus, EDF-R recommends a combination of the CAISO and GridBright approaches, as follows:

- Use the GridBright approach (with the higher operating margin) to determine whether a SATA resource can participate in the DA market. If the answer is “yes,” the resource can proceed on that basis.
- Where the answer is “no,” then implement the CAISO approach (updated analysis with DA market results, and the lower 10% operating margin) after the DA market clears, to determine whether a SATA resource can participate in the RT market. If the answer is “yes,” the resource can proceed on that basis; if the answer is “no,” then the resource is committed as transmission and cannot participate in the market.

This combined approach would maximize SATA ability to participate in CAISO markets while allowing the CAISO to reserve the SATA as transmission where needed.

In addition, the CAISO's proposal only addresses daily determination of transmission need for reliability-driven SATAs. The CAISO should also specify how it would determine the daily need for transmission service from policy-driven and economic SATA resources. This issue is not addressed at all in the current proposal.

Finally, EDF-R supports the CAISO's proposal to share widely the SATA market-participation notice, so all Market Participants have access to this important information. That issuance to the rest of the market should take place at the same time the notice is provided to the SATA owner.

However, the CAISO should expand this concept to include SATA outage/de-rate information, to the same degree and with the same timing as it does for transmission. This SATA status information is just as important to Market Participants as similar information for transmission, and the SATA owner and CAISO/PTO should not be the only entities that know it.

Consistent with FERC Policy Statement

The CAISO believes the revised straw proposal is consistent with the FERC Policy Statement. Specifically, that the straw proposal does not inappropriately suppress market prices, impact CAISO independence, nor result in double recovery of costs.

Please state your organization’s position as described in the Second Revised Straw Proposal (support, support with caveats or oppose). If you support with caveat or oppose, please further explain your position and include examples. If you oppose, please clarify why and how the CAISO might address this issue.

Comments:

EDF-R believes that the CAISO’s proposed SATA methodology is consistent with FERC’s policy statement.

Draft final proposal meeting or phone call

The stakeholder meeting for the second revised straw lasted approximately 2.5 hours. As a result, the CAISO requests stakeholder feedback regarding whether an in-person meeting is necessary for draft final proposal or if a stakeholder phone call will allow the CAISO to adequately address the remaining issues in the draft final proposal.

Please state your organization’s position as described in the Second Revised Straw Proposal (support, support with caveats or oppose). If you support with caveat or oppose, please further explain your position and include examples.

Comments:

EDF-R has no position on this question generally. However, as noted below, “partial/shared resource” issues still require further consideration, and the CAISO should use whatever meeting format would best allow for discussion of that important issue.

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:

Shared facilities

The CAISO proposals to date have not included clear guidance on potential SATA configurations sharing facilities with market resources. The CAISO has said that it will contract only for capacity needed, and that the contracted resource must have its own Resource ID (i.e., cannot be a share of a larger resource). However, the CAISO should be more specific – including examples – about how it intends to apply this concept.

- **Partial resources**, as long as the required capability is made available to the CAISO when needed (e.g., takes priority over market uses for the remaining capacity when the CAISO uses the SATA as a transmission asset). Costs could be allocated (e.g., proportionately) between the portion dedicated to the CAISO and the portion available for market use.

This option may be particularly cost-effective if the CAISO need is relatively small. For example, the CAISO should have the freedom to contract with the storage portion of a solar + storage facility, an increasingly common configuration.

- **Other resources with shared facilities** – e.g., generation tie lines, substations, etc. – as long as the required capability is made available to the CAISO when needed (e.g., takes priority over market uses by other resources sharing those facilities when the CAISO uses the SATA as a transmission asset). Revenue recovery for generation tie-lines or substations (or other Interconnection Facilities) needed by a SATA but shared with market resources should be allowed in TAC as long as the entities sharing the resource cover their incremental costs.

Resources procured or contracted for reasons beyond meeting TPP-identified CAISO need

The CAISO’s proposal limits SATA eligibility to resources that would meet a TPP-identified CAISO need. Resources procured through other state/FERC initiatives (including customer-connected resources and “CPUC-mandated procurement process(es)”) would be excluded. EDF-R believes that these other resources should also be eligible for SATA consideration, as long as they can substitute for transmission and/or mitigate the need for transmission additions.

Scope of SATA framework

The CAISO has declared that it is “outside the scope” of this stakeholder initiative to consider whether to treat SATA different from traditional “wires” upgrades regarding a competitive solicitation process. Specifically, like transmission upgrades, the CAISO Tariff provides that projects connected at 200 kV or higher will be subject to competitive solicitation unless the project constitutes an upgrade to an existing transmission facility, and incumbent PTOs are responsible for projects connected at less than 200 kV.

EDF-R encourages the CAISO to expand the SATA framework to open all SATA to competitive solicitation, as long as the identified need and/or SATA solution is under CAISO jurisdiction. Battery storage is very different from traditional “wires” upgrades, and there is no real reason to limit them at lower voltage levels to incumbent PTOs. In other words, SATA solutions interconnected below the 200 kW level, or addressing a need at that voltage level, should be open to competition and not be limited to incumbent PTOs.