

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 revised straw proposal that was posted on August 15, 2018.



Submit comments to InitiativeComments@CAISO.com

Comments are due September 4, 2018 by 5:00pm

The revised straw proposal, posted on August 15, 2018, as well as the presentation discussed during the August 21, 2018 stakeholder web conference, may be found on the [Storage as a Transmission Asset](#) webpage.

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

Contractual Arrangement

The ISO proposes to develop a new agreement with SATA resource owners that captures elements from Participating Generator Agreement (PGA), Participating Load Agreement (PLA), Reliability-Must-Run

(RMR) and Transmission Control Area (TCA) agreements. Additionally, the ISO has indicated its preference to control SATAs when they operate as transmission assets. Please provide comments on this proposal.

Comments:

ITC Grid Development, LLC (“ITC”) supports the CAISO’s proposal and preference to control SATAs when they operate as transmission assets, which would be consistent with the treatment of other such assets in the CAISO’s footprint.

ITC agrees with the CAISO’s comment in the revised straw proposal that general policies must be determined in this SATA initiative before the structure of a SATA agreement can be established. Nevertheless, the summaries provided in Section 8.1 of the revised straw proposal are helpful in understanding the CAISO’s thoughts in terms of the key elements of that structure. Although ITC’s previously submitted comments indicated that the transfer of operational control of the asset between CAISO and the SATA entity should be addressed in general business practices, we recognize and appreciate that CAISO has laid out the operational provisions (availability, responding to dispatch instructions, right of recall, etc.) that will need to be codified moving forward – whether it is in the SATA agreement or a business practice manual.

Transmission Revenue Requirement Capital Credit

The ISO has proposed a TRR capital credit to reduce a SATA resource’s capital cost recovery. The objective of this credit is (1) to protect ratepayers from early degradation of SATA resources operational capabilities due to dispatches from ISO market participation and potential for reduced useful lifespan for a SATA resource’s ability to meet the identified transmission need(s), and, (2) to ensure the SATA resource owner considers all marginal costs when bidding into the market. Please provide comments on the ISO’s proposal and any potential alternative the ISO could consider to achieve the same objectives.

Comments:

ITC appreciates that the CAISO has introduced the TRR capital credit in response to the concerns of stakeholders (including ITC) about the potential for regular market participation to shorten the useful asset life of a SATA. However, we are unclear how the specific formula the CAISO has proposed will effectively incentivize SATA owners to bid the asset into the market at marginal cost, and by extension ensure that allowing participation of SATA resources does not inappropriately suppress market prices. As suggested during the working group meeting on 8/21, it would be more straightforward and easier to implement to include provisions in the SATA agreement obligating the SATA owner to maintain the capability of the SATA resource for the full term of the awarded contract or transmission need, and at the originally contracted or bid cost.

With respect to the proposed TRR adjustment, the CAISO requested feedback on whether to assume a level amount of market participation for all SATA resources, or whether different levels of market participation would need to be assumed in evaluating multiple competitive bids. Unfortunately, the risk profile and asset portfolio of a SATA entity (among other things) could drive entirely different decisions

regarding market participation, making the CAISO’s evaluation of SATA entities’ competitive bids potentially very complex.

Market Participation

The ISO provided two additional options it is currently considering to notify SATA resources when they would be permitted to provide market services and access market revenues: Day-ahead market option and D+2 Option. Please provide comments on these options, including any preference or alternative options.

Comments:

With the CAISO’s conclusion that long-term projections of a SATA’s availability for market participation are infeasible, the proposal for Day-Ahead or Day-Ahead + 2 (D+2) notification to SATA entities that the SATA is (or is not) needed for transmission service appear reasonable. ITC agrees that the CAISO would retain the right to recall the SATA resource (via Exceptional Dispatch) to provide transmission service, even if it was cleared to participate in the market.

Cost Recovery Mechanism

The ISO 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

Please provide comments on these three options and any other options the ISO has not identified. Please provide specific comments on (a) if the ISO should maintain option 2, above, and (b) why, if any, specific market profit threshold must be reached before the SATA resource would be permitted to retain some portion of profits and how such threshold should be determined.

Comments:

In previous comments on the consistency of the CAISO’s proposal with the FERC policy statement, ITC questioned whether revenues earned by a SATA through the energy market, which would be earned for providing a service separate from that for which the asset was originally selected in the CAISO’s TPP, are always appropriately credited against the SATA asset’s transmission cost of service – or whether it may be appropriate in certain circumstances for a SATA resource to earn combined energy market and transmission revenues in excess of its total cost of service. We appreciate the CAISO taking these and other stakeholders’ comments into consideration in developing Option 3 (full cost-of-service with partial owner/ratepayer market revenue-sharing) for discussion. The full cost-of-service recovery would mitigate the financing and other potential risk to the SATA owner of the transmission asset framework, while the revenue-sharing arrangement would provide the incentive to the SATA entity for market participation and the opportunity for customers to share in the revenues earned from that participation.

In terms of a market revenue threshold that must be reached before the SATA entity retains a portion of revenues, or how the revenues should be split between the SATA entity and customers, ITC suggests a fixed 50/50 split of market revenues with no such threshold. The 50/50 split is straightforward, eliminating what could become an overly burdensome process of analyzing multiple types of percentage splits. In addition, having no specific market revenue threshold seems like an appropriate balance between the risk being incurred by the SATA entity and the potential benefits of market revenue-sharing to customers.

The CAISO has concluded that long-term projections of a SATA's availability for market participation are infeasible. The inability of a SATA to rely on market revenues under cost recovery Option 2 would increase the financing and other risks to such an extent that this option appears an improbable choice by a SATA owner, despite the obvious benefits it would provide to customers. This is especially true with the CAISO's addition of Option 3, which provides the SATA owner the opportunity to participate in the market and earn revenues above its full cost-of-service.

Options in the event of insufficient qualified project sponsors

The ISO has proposed potential options for addressing SATA projects when there is insufficient qualified project sponsors. Please provide comments on these options, including preferences and/or additional alternatives that should be considered.

Comments:

The CAISO proposes to require at least three qualified project sponsors in order for SATA projects to be eligible for either the partial cost-of-service or the full cost-of-service with revenue-sharing cost recovery options, and to require project sponsors to submit full cost-of-service only (assuming no revenue-sharing) bids. Since the CAISO will already have the pertinent information, ITC proposes that in the event there are fewer than three qualified SATA project sponsors, the bids of SATA entities would be evaluated on a full cost-of-service only cost recovery basis.

Consistent with FERC Policy Statement

The ISO believes the revised straw proposal is consistent with the FERC Policy Statement. Specifically, that the straw proposal does not inappropriately suppress market prices, impact ISO independence, nor result in double recovery of costs. Please provide comments on the whether you agree or disagree with the ISO. If you disagree, please clarify why and how the ISO might address this issue.

Comments:

ITC largely agrees with the CAISO that the revised straw proposal is consistent with the principles discussed in the FERC policy statement on the use of storage for multiple services.

In the case of market price suppression, please see the comments on the proposed TRR credit for questions about whether that mechanism incentivizes bidding at marginal cost.

The CAISO proposes that SATA resources, like any other transmission asset, would be under CAISO operational control. However, to maintain the CAISO's independence and avoid the CAISO becoming a participant in its own market, bids to provide market services would be submitted by the resource owner. With the caveats specified in ITC's prior comments regarding notification times, ITC concurs that the proposed division is the appropriate structure for maintaining the CAISO's independence.

Please see the above comments on cost recovery mechanisms for discussion on how the CAISO's proposed Option 3 avoids double recovery of costs.

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:

ITC appreciates the CAISO's consideration of these and ITC's previous comments as policies are developed in the SATA initiative, and we look forward to seeing the next iteration of the proposal.