

# 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](mailto: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 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

Additionally, the ISO 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 ISO 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 ISO has not identified.

**Comments:****Option 1 Must Offer Obligation**

With respect to the ISO's Option 1 for cost recovery (full cost-of-service with complete energy market crediting), assuming that the market participant only has notice sufficient to participate in the real-time (RT) market, PG&E offers the ISO a mechanism to establish an effective Must Offer Obligation (MOO). PG&E's proposal for market participation is a fully mechanical process designed to allow the storage assets to mitigate price spikes and troughs on days when the resource is not needed for Transmission. In order to make a MOO feasible, market participants bidding SATA resources should not be responsible for maintaining or achieving specific state of charge (SOC) at specific times.

It would not be tenable to create a paradigm where the resource has a MOO, must return the facility to 100% SOC at the end of the day, and must bear the risk of charging at any cost. The ISO should also consider how deviations for charging and discharging a SATA resource during periods of transmission services will be handled. Furthermore, separating out discharging and charging deviation settlements into what is used for transmission reliability and what is a result of market dispatches would be administratively cumbersome.

Therefore, PG&E proposes a relatively straightforward process which could incorporate a MOO, providing the market with valuable peaking energy, while creating a simpler process for bidding and settlements. First, PG&E proposes that the market participant put bids in all the time as part of the MOO. PG&E agrees that there should be a MOO both for charging and discharging, subject to PG&E's proposed changes to cost recovery. Second, the ISO should institute a process to block such bids from being used in the market for those days which the asset is needed for transmission services. Third, the ISO should be fully responsible for SOC management. Considering that the resource will be required to offer into the RT market, PG&E believes that there should be no obligation placed on the market participant to return the SATA resource to 100% SOC by the end of the day. The ISO would have the option of returning the asset to 100% SOC when it is operating as a transmission asset or could issue an

Exceptional Dispatch to charge the resource during the market participation interval if required. Finally, given the complexity of the settlements and the requirements to be at a certain SOC at a certain time based solely on the RT market, all costs and benefits of market participation by direct-assigned Option 1 resources should flow into TAC, regardless of whether net revenues are positive or negative. PG&E's proposal creates a workable MOO while allowing the resource to participate in the market and alleviate extreme prices.

No MOO is necessary for Options 2 and 3 since market participants will receive the benefits of participating in the market. No additional obligation is needed.

### **Notification Timing**

With respect to the ISO's proposal to limit the notification process and market participation to real-time, PG&E appreciates the ISO's intent to prioritize reliability services over all others but asks the ISO to continue exploring ways that will provide for participation in the day-ahead market, including the consideration of provisions similar to those used to notify RMR resources when they are allowed to bid into the market and when they are not to participate in the market for reliability reasons.

### **Options in the event of insufficient qualified project sponsors**

The ISO proposal would require all SATA projects 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:**

PG&E appreciates the additional refinement that the ISO has made to ensure that there are a sufficient number of qualified bidders for the consideration of Options 2 and 3 cost recovery models. It is appropriate to include Option 1 contingency submissions if there are fewer than three qualified project sponsors that submit.

PG&E also recommends that the base cost be supplied for all bids, regardless of cost recovery options. This would provide a sense of transparency and a potential indicator of how strong additional market revenues may be, which could incentivize other providers as well.

### **Contractual Arrangement**

The ISO proposes to establish defined three contract durations: 10, 20, and 40 years. Additionally, the ISO 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 ISO'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:**

PG&E recognizes that different contract term lengths may be appropriate to reflect the differences between technologies, including the different financial commitments needed to construct, if suitable to meet the timeframe of the transmission need. A contract with a longer term may be appropriate for certain technologies that are associated with longer useful lives, but longer contract terms should be limited to these technologies and may need to include terms and conditions that are different from shorter contracts. The ISO should also consider what happens to the asset after it has fully recovered its cost of capital but still remains useful to the grid.

PG&E welcomes the opportunity to provide additional feedback on the specific details that will be included in the SATA agreements being developed and appreciates the ISO's stated intent to directly engage with stakeholders on detailed terms and conditions, which was highlighted at the October 23 stakeholder meeting.

**Market Participation**

The ISO 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 ISO 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:**

Please see PG&E's comments above under "Cost Recovery Mechanism."

**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 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 ISO might address this issue.

**Comments:**

No comments.

**Draft final proposal meeting or phone call**

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

No comments.

**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:**

No other comments.