

Storage as a Transmission Asset

Stakeholder Comments Template

Submitted by	Company	Date Submitted
<i>Fernando E. Cornejo</i> <i>fernando.cornejo@sce.com</i>	<i>Southern California Edison</i>	<i>April 20, 2018</i>

Please use this template to provide your comments on the Storage as a Transmission Asset stakeholder initiative Issue Paper that was published on March 30, 2018.



Submit comments to InitiativeComments@CAISO.com

Comments are due April 20, 2018 by 5:00pm

The Issue Paper posted on March 30, 2018, as well as the presentation discussed during the April 6, 2018 stakeholder web conference, may be found on the [Storage as a Transmission Asset](#) webpage.

Please provide your comments on the Issue Paper topics listed below and any additional comments you wish to provide using this template.

Scope of policy examination

The ISO's initial identified scope for this stakeholder process is to enable storage to provide cost-based transmission services and participate in the market and receive market revenues. Specifically, the ISO will focus on (1) transmission-connected storage only and (2) storage resources identified as needed to provide reliability-based transmission services. Please provide comments on the proposed scope. If there are specific items not already identified by the ISO that you believe should be considered, please provide specific rationale for why the ISO should consider it as part of this initiative.

Comments:

SCE supports the CAISO's initiative to develop the appropriate policy and rules to permit transmission-connected storage assets identified through the CAISO's Transmission Planning Process (TPP) to address a reliability need to also participate in the wholesale energy market. SCE believes this important

initiative will allow storage-as-a-transmission-asset resources to be better utilized during periods in which they are not needed to meet a transmission reliability need. SCE also supports the CAISO taking an incremental approach to exploring the possibility of reliability-driven energy storage transmission assets participating in the wholesale market prior to broadening the scope to possibly include economic- and policy-driven energy storage resources functioning primarily as a transmission asset.

In summary, SCE recommends the following principles:

- 1) The storage-as-a-transmission device should utilize the existing process for CAISO transmission. This includes participation/selection as part of the TPP and recovery of 100% of its prudently incurred costs through the TAC.
- 2) The transmission role of the device has primacy. The device should only be allowed to participate in the markets to the extent that the CAISO does not require the device for transmission needs.
- 3) Market participation should happen under a contract mechanism that benefits both transmission customers (by reducing costs that would otherwise be collected in TAC) and the device owner (by allowing the potential for profits beyond those allowed simply through TAC recovery)
- 4) The CAISO must avoid double payments for the same service.
- 5) Given this framework, the CAISO should now focus on developing the contract structure to allow market participation.

Cost recovery mechanism

The ISO has offered two alternative cost recovery mechanisms for discussion as part of the issue paper:

1. Asset in PTO's TAC rate base, and
2. Contractual provision of "cost-based" transmission service without becoming a PTO

Please provide comments on these two options and any other options the ISO has not identified. Additionally, please provide comments on the "wholly in rate base" and "partially in rate base" alternatives discussed within each of the above options.

Comments:

SCE supports the CAISO stakeholder process developing "Option 1", including the energy storage asset in the PTO's TAC rate base. In order for energy storage resource to be treated as a transmission asset and be eligible for cost recovery via TAC, the energy storage owner should be required to become a PTO. Absent market participation offsets (discussed below), 100% of prudently incurred costs would be recovered in TAC. Further, the device should proceed through the CAISO Transmission Planning Process (TPP) similar to other transmission elements. Given that the energy storage resource's primary function is to perform as a transmission asset, there already is a mechanism in place for cost recovery to be handled through the TAC. Thus, there is no need to develop a new cost recovery mechanism.

SCE does not support the CAISO stakeholder process considering “Option 2” for storage as a transmission asset and does not support a “contractual provision of cost-based transmission service” for storage treated as a transmission asset. The idea of an energy storage asset as a transmission asset is that it replaces the need for some “traditional” transmission asset, and therefore should be treated on a non-discriminatory basis with “traditional” transmission asset and receive cost recovery for its transmission asset through TAC (i.e., energy storage owner must become a PTO).

With that said, SCE believes that an energy storage project (that is not a transmission asset) should be eligible to receive an RMR contract for services that are eligible to be provided under an RMR contract. However, RMR contracts are not used for, and should not be used for, transmission assets recovered through TAC. We note the CAISO has an ongoing stakeholder process to reform RMR and CPM contracts. That process should ensure that storage devices (that are not transmission assets) will be considered and eligible for such contracts as long as they can satisfy the technical requirements of the CAISO.

Rather than developing a contract for storage participating as a transmission asset, CAISO should include as part of the scope of this stakeholder process the development of a contract mechanism for storage that is in TAC that also wants to participate in the markets. The process should explore performance-based mechanism. Such a mechanism should be developed to balance the interest of the storage project and customers who pay the TAC (i.e., create an incentive for the storage-as-a-transmission-asset to participate in the CAISO market in a manner that benefits both the storage owner as well as customers paying the TAC). For example, a portion of the market revenues/profits would serve to reduce cost collected in TAC, and a portion of revenue/profits would flow to the owner such that profits could exceed what the pure cost-of-service TAC rate would allow. Paramount under whatever compensation structure is developed, it cannot undermine the role of the energy storage asset providing transmission function needed. In other words, market participation must remain subordinate to the transmission reliability function of the energy storage resource.

Finally, the CAISO should abide by a fundamental principle underlying any cost recovery mechanism to ensure there is no double-recovery of costs from transmission customers.

Allocation to high or low voltage TAC

The ISO has expressed its plans to maintain the current practice of allocating costs to high or low voltage TAC based on the point of interconnection. Please provide comments on this proposal.

Comments:

SCE supports the CAISO’s plan to maintain the current practice of allocating costs to the high or low voltage TAC based on the point of interconnection because it is consistent with the cost recovery treatment for transmission assets in TAC.

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:

SCE believes storage will play an increasingly important role as the CAISO grid transitions to a low-carbon framework. We should embrace new technologies while utilizing existing processes that have proven to be effective and durable. In some cases, mechanisms have worked effectively for multiple decades. As such, any party wishing to dismiss proven planning and rate recovery structures has a high burden to prove alternatives are needed and superior.