

**UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION**

California Independent System Operator Corporation
Order No. 755 Compliance Filing

Docket No. ER12-1630

**MOTION TO INTERVENE AND COMMENTS OF
THE CALIFORNIA ENERGY STORAGE ALLIANCE**

Pursuant to Rules 212 and 214 of the Rules of Practice and Procedure of the Federal Energy Regulatory Commission (“FERC” or the “Commission”), 18 C.F.R. § 385.212 and 18 C.F.R. § 385.214 and the Commission’s Combined Notice of Filings #2 dated April 27, 2012, the California Energy Storage Alliance (“CESA”),¹ hereby moves to intervene in the above-referenced docket and to offer comments in response to the California Independent System Operator Corporation (“CAISO”) compliance with FERC’s Order No. 755² wherein CAISO seeks approval to implement a uniform capacity payment for resources providing regulation that: (1) includes the marginal unit’s opportunity costs; (2) establishes a performance payment that reflects the quality of regulation service provided by a resource that accurately follows a dispatch signal; and (3) addresses ramp-rate certification requirements and a minimum performance threshold for resource providing regulation.³

¹ The California Energy Storage Alliance consists of A123 Systems, Bright Energy Storage Technologies, CALMAC, Chevron Energy Solutions, Deeya Energy, East Penn Manufacturing Co., EnerVault, Fluidic Energy, GE Energy Storage, Greensmith Energy Management Systems, Growing Energy Labs, HDR Engineering, Ice Energy, Kelvin Storage Technologies, LG Chem, LightSail Energy, Primus Power, Prudent Energy, RedFlow Technologies, RES Americas, Saft America, Samsung SDI, SANYO Energy, Seeo, Sharp Labs of America, Silent Power, Stem, Sumitomo Electric, Sumitomo Corporation of America, SunEdison, SunVerge, TAS Energy, and Xtreme Power. The views expressed in these Comments are those of CESA, and do not necessarily reflect the views of all of the individual CESA member companies. <http://storagealliance.org>

² *Frequency Regulation Compensation in the Organized Wholesale Power Markets*, Order No. 755, 137 FERC ¶61,064 (2011) (“Order No. 755”)

³ CAISO Transmittal Letter dated April 27, 2012 at 4.

CESA members have been actively working with CAISO and its stakeholders to assist in the development of the revised tariffs and as described below, CESA and its membership will be directly and substantially affected by the Commission's decision in this proceeding. Thus, CESA seeks intervenor status in this proceeding.

I. COMMUNICATIONS

Communications and correspondence related to this filing should be directed to its attorney as follows:

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II. INTERVENTION

Pursuant to the requirements for intervention in this proceeding, as outlined in 18 C.F.R. § 385.214, CESA and its membership of manufacturers, developers and operators of energy storage technologies that are used to provide fast-responding, environmentally friendly Regulation service to CAISO have a direct and substantial interest in this proceeding and in FERC's decision in this docket. The proposed tariff includes modifications to the mechanism by which regulation providers in the CAISO region will be compensated. CESA's opinion as to how regulation resources should be compensated was included in FERC's rulemaking and thus, CESA respectfully submits that its recommendations with respect to CAISO's compliance with Order No. 755 will be equally beneficial in FERC's decision-making in this proceeding. Moreover, given CESA's role in the energy storage industry and its inherent knowledge of how the energy storage marketplace operates, there is no other party to this proceeding that can

adequately represent CESA's interests. Accordingly, CESA respectfully requests status as a party to this proceeding.

III. ABOUT THE ENERGY STORAGE ALLIANCE

CESA is an industry group advocating for the rapid expansion of use of energy storage, in all of its many forms, to promote growth of renewable energy and a clean, affordable, and reliable and secure electric system. CESA is technology-neutral and supportive of all business models for deployment of energy storage. CESA's member companies include a diverse range of advanced energy storage technology and manufacturing companies, systems integrators, and renewable energy developers.

IV. COMMENTS

A. CESA Strongly Supports CAISO's Tariff Provisions as in Compliance With Order No. 755 Because it Provides a Two-part Payment, Including Both a Capacity and a Performance Payment That Should Ensure Just and Reasonable Frequency Regulation Rates.

CESA strongly supports the substance of the CAISO's proposed tariff revisions and is generally pleased with the approach the CAISO is using to comply with FERC Order No. 755. As required by FERC, the CAISO remedies any undue discrimination in the regulation market by adding a performance payment that pays resources based on the actual amount of regulation up and down (*i.e.*, mileage) that the CAISO dispatches a resource to provide, thus compensating those resources that provide more value to the grid by their fast, accurate response to the CAISO control signals.⁴ The CAISO also proposes to measure the accuracy of a resource's response and to pay more to those resources with high accuracy.⁵

⁴ Tariff Section 11.10.1.7 Regulation Performance Payments and Accuracy Adjustment.

⁵ *Id.*; and Tariff Section 8.2.3.1.1 Regulation Performance.

The CAISO's tariff will send efficient price signals to encourage fast-ramping resources, such as energy storage, to enter the market and improve overall market performance by encouraging *all* resources to improve their speed and accuracy of response. Improving the performance of the regulation fleet should reduce the amount of capacity that must be procured in order to maintain system reliability and to integrate more renewable variable energy resources ("VERS") on the CAISO's system, thus providing cost, reliability and environmental benefits for consumers. As the CAISO noted during the stakeholder process on Order No. 755 compliance, it expects a substantial increase in the hourly regulation requirements in order to integrate onto the grid the large volumes of VERs.⁶

The CAISO's proposal to utilize two separate constraints for regulation capacity and mileage in the market clearing process should optimize the selection of resources to provide frequency regulation.⁷ The CAISO's approach ensures that each resource's bids will be evaluated on a comparable basis as it compares bids for each constraint on a cost per unit basis. Even though the CAISO uses a resource-specific mileage multiplier in the selection process, the optimization takes into account that a resource that does more work at a lower per unit cost is less expensive to the system than a resource that does less work but at a higher per unit cost.⁸ The CAISO's market clearing and price setting algorithm is an elegant solution for setting prices in a market with a two-part bid.

CESA agrees with the CAISO that it has proposed sufficient mitigation measures to ameliorate concerns regarding the cost to consumers of implementing Order No. 755 revisions. By co-optimizing mileage awards with regulation capacity and energy bids, the CAISO will

⁶ See, the CAISO's "Pay for Performance Regulation Draft Final Proposal Addendum," http://www.caiso.com/Documents/Addendum-DraftFinalProposal-Pay_PerformanceRegulation.pdf.

⁷ Tariff Section 27.1.3 Regulation Mileage Clearing Price.

⁸ *Id.*

ensure that resources that provide regulation capacity will also meet mileage requirements at just and reasonable rates. The CAISO's proposed market design, combined with CAISO's proposed maximum mileage bid price of \$50 per MW of movement⁹ should therefore appropriately mitigate prices.

In its filing, the CAISO requests authorization to delay implementing its pay-for-performance tariff until Spring 2013 and explains the reasons for its belief that extending the implementation deadline mandated by the Commission in Order No. 755 will have no prejudicial impact on market participants.¹⁰ While acknowledging the level of effort required in light of the many other changes underway through its various other important stakeholder processes, CESA agrees with market participants that time is of the essence, and has encouraged, and continues to strongly urge the CAISO to accelerate its implementation process to the maximum extent possible consistent with direction by the Commission.

V. CONCLUSION

Because CESA's members will be substantially and directly affected by FERC's decision in this proceeding, CESA respectfully requests that it be granted intervenor status in this docket.

Respectfully submitted,



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May 17, 2012

⁹ The CAISO's current maximum ancillary service bid price is \$250.00. For purposes of establishing the maximum mileage bid price, the CAISO assumed a mileage multiplier of 5 and divided the current \$250.00 regulation capacity maximum bid price accordingly. See, the CAISO's Transmittal Letter at p. 12.

¹⁰ *Id.*

CERTIFICATE OF SERVICE

I hereby certify that I have this day served a copy of the ***Motion to Intervene and Comments of the California Energy Storage Alliance*** on all parties of record in proceeding ***ER12-1630*** by serving an electronic copy on their email addresses of record and by mailing a properly addressed copy by first-class mail with postage prepaid to each party for whom an email address is not available.

Executed on May 18, 2012, at Woodland Hills, California.



Michelle Dangott

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