

PAY FOR PERFORMANCE REGULATION REVISED STRAW PROPOSAL

January 18, 2012

The California Energy Storage Alliance (CESA) strongly supports the CAISO's *Pay for Performance Regulation Revised Straw Proposal*, dated December 5, 2011 (Straw Proposal), and the discussion of the presentation material used in the stakeholder meeting held on January 11, 2012. On the whole, the changes made to the Straw proposal are commendable in their balanced approach to encourage deployment of energy storage systems and other resources in an even-handed manner.

CESA also wholly supports the CAISO's proposed timeline to implement FERC Order 755. CESA specifically supports the CAISO's plan to submit its Revised Straw Proposal to its Board of Governors for approval at the Board's March 22, 2012 meeting so that it can be submitted to FERC by the April 28, 2012 compliance deadline. The CAISO should exercise its best efforts to implement the Revised Straw Proposal by the October 2012 implementation deadline set by FERC.

During the January 11 call, some stakeholders expressed concerns that the accuracy adjustment would cause less accurate resources to appear more expensive during the market clearing process, and that the use of a uniform mileage multiplier might underestimate the cost of a fast resource and overestimate the cost of a slow resource. CESA supports both the accuracy adjustment and the mileage multiplier as proposed by the CAISO.

An accuracy-based payment is a necessary feature of Order 755. CESA believes that historical accuracy is a reasonable indicator of future accuracy for an individual resource. Therefore a market clearing mechanism that considers each resource's historical accuracy will help facilitate the most efficient settlement outcome.

The same mileage multiplier should be used for all resources. A comparison of resource payment must take into account both capacity MWs and mileage MWs. While a fast resource may appear to be paid more than a slow resource when comparing only

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capacity MWs, both fast and slow resource receive the same price per mileage per MW. The cost comparison between resources must be done on a per unit basis.

The total payment to the fast resource is justified because it has moved at the CAISO's direction over a comparatively greater mileages MW distance. To help illustrate both concepts, CESA suggests that the CAISO continue the market clearing example (shown on Slide 9 of the January 11 presentation) to show settlements from this interval. The example should also include actual mileages delivered.

CESA supports the CAISO's proposal to measure the accuracy of a resource's response to AGC as the absolute value of the difference between the AGC set point and actual telemetry for each four-second regulation interval. However, CESA agrees with stakeholders that recommend that the measurement of accuracy must account for any latency that may occur in the telemetry of the energy storage system.

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