



Comments of the California Energy Storage Alliance (CESA)
on
CAISO ESDER 3 Straw Proposal

Submitted by	Company	Date Submitted
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ESDER remains a critically important stakeholder initiative to the Energy Storage industry. CESA appreciates the opportunity to comment on the Energy Storage and Distributed Energy Resources (ESDER) Phase 3 Straw Proposal and Stakeholder Call.¹

CESA recognizes that the CAISO has repeatedly shown a strong interest and willingness to support open access for would-be market participants, including from energy storage resources, and CESA appreciates this ongoing leadership role from the CAISO. CAISO staff have been hardworking, thoughtful, and creative in developing reasonable solutions, and CESA acknowledges these essential efforts. Likewise, CESA seeks to be a credible partner to the CAISO and other stakeholders in thoughtfully assessing and structuring market design enhancements (or other changes) needs to fully unleash fair and reasonable market access and compensation by energy storage resources. CESA appreciates the CAISO's good-faith work in leading this and related stakeholder efforts to support market designs, etc.

CESA's main comments include:

- Enhancements for the participation of aggregations of Behind-the-Meter (BTM) resources are needed, including a Distributed Energy Resource Provider (DERP) model

¹ <http://www.caiso.com/Documents/StrawProposal-EnergyStorageandDistributedEnergyResourcesPhase3.pdf>

that does not expose retail resources to 24 hours a day and 7 days a week (24 x 7) wholesale market settlement.

- CAISO should inform and augment ESDER Phase 3 with compliance items resulting from FERC Order 841.
- CESA supports the scope listed and supports the inclusion of Electric Vehicle (EV) related pathways to market participation.
- Urgency is needed on the removal of the single Load-Serving Entity (LSE) requirement for Proxy-Demand Resources (PDRs).

About CESA: CESA represents 65 member companies engaged in nearly all aspects of market participation, grid operations, and other grid-related services. For more information, see www.storagealliance.org.

CESA's Comments:

A. CAISO should inform and augment ESDER Phase 3 with compliance items resulting from FERC Order 841

FERC's Order 841 will require a CAISO compliance plan and related filing. CESA requests the CAISO clarify and allow stakeholder input on its compliance plans in ESDER 3. As CESA understands it, this inclusion of the compliance plan in ESDER 3 shouldn't be incremental work for the initiative because the CAISO has to complete this compliance work anyway.

Per Order 841, the compliance plan should include plans for reforms to lower the minimum size threshold for Non-Generator Resources to 100 kW, to clarify that any wholesale related energy charging (a.k.a. sale for resale of energy) should not be exposed to Transmission Access Charges, and that settlement mechanisms should reflect applicable LRA auxiliary power rules while also avoiding 'double payment' concerns of behind-the-meter exporting energy storage systems².

² This matter refers to a general case where a BTM storage system charges for later resale (through an export). In wholesale charging of the BTM resource, which would be done in conjunction with a wholesale settlement and schedule or deviation measurement, the retail meter will 'spin', incurring retail costs. The later exporting may also 'spin' the meter in the opposite direction. Settlement systems and rules should reconcile and remove these wholesale effects from the retail meter settlement since these transactions are wholesale.

Information on the CAISO's plans for compliance with Order 841 will inform all stakeholders and assess development needs or plans as well. This information is important for existing or future energy storage resource participation, particularly in cases where FERC's rules may imperfectly fit with existing CAISO practices. CESA appreciates the CAISO's progress and consideration of this work, and recommends the CAISO work to preserve many of the useful rules currently established and to avoid any policy changes that may be more restrictive to energy storage participation.

B. CESA supports the items listed in scope, including EV related pathways to market participation.

CESA generally supports the items scoped into ESDER in the Straw Proposal. While CESA originally sought to include additional enhancements to the bidding functionalities of the Non-Generator Resource model, the existing scope seems to address the most high-priority issues. CESA appreciates the CAISO's process for evaluating matters.³

CESA emphasizes that the inclusion of the Load Shift and EV related participation paths, authorization of NGR use-limited status, and establishment of NGR commitment costs are all crucial to CESA as these address real-world barriers to reasonable participation models for energy storage. By addressing these issues, energy storage will be able to support competitive market efficiency, reliability, and resulting ratepayer benefits.

As mentioned in point C below, CESA also has sought to have the DERP participation path improved via an enhancement to remove the 24x7 participation requirement. CESA welcomes further discussion on this item, per point C below.

For micro-grid matters or other matters not included in scope, CESA recommends the CAISO continue to inquire with stakeholders on the barriers, and to develop forums for considering or understanding potentially needed reforms. CESA appreciates the CAISO team's collaboration with stakeholders in any information gathering exercises of this type.

C. Enhancements for the participation of aggregations of BTM resources are needed, including a DERP model that does not expose retail resources to 24x7 wholesale market settlement.

The CAISO naturally needs to continue to maintain viable pathways for aggregations to participate in CAISO markets. While the Distributed Energy Resource Provider (DERP)

³ PG&E's overview of NGR functionalities was helpful too.

participation path allows some of this functionality, the pathway has major restrictions which render it often unworkable in practice. These restrictions include a forced 24x7 exposure to wholesale market settlement, which greatly restricts the ability of multi-use applications to use this participation path. The pathway also lacks Resource Adequacy counting and related, which makes the model financially disadvantageous to most resources operating in California.

To improve the model, CESA recommends resolution of the above barriers. The CAISO should pursue these solutions regardless of the potential for the CPUC to develop alternative pathways more focused on leveraging demand-response models.⁴ The CPUC is, after all, one of an array of local regulatory authorities (LRAs) inside the CAISO. As the CAISO expands its EIM and operates with a potentially growing set of LRAs, it seems prudent to develop market structures that are viable and applicable across the CAISO territories.

If this matter cannot be resolved in ESDER 3, CESA suggests a call or planning session whereby the consideration and timing of consideration of DERP participation pathways can be addressed.

D. Urgency is needed on the removal of the single LSE requirement for Proxy-Demand Resources

With expansions of Community-Choice Aggregators (CCAs), limitations on PDRs to be solely located within a single LSE become much more challenging. CESA understands that the existing rules do not sufficiently contemplate how CCAs may shift the applicable LSE. Such rules may even inadvertently cause existing or planned projects to ‘die on the vine’ as CCAs form, functionally or potentially invalidating projects that are otherwise sound and that could enhance ratepayer benefits, market efficiency, etc.

Due to this dramatically changing landscape of LSEs, CESA suggests special consideration be given to the timing of this matter. It may be that this matter could be accelerated with minimal difficulty. If this is the case, CESA supports advancing enhancements to this body of the Tariff quickly to provide stability for developers (which in turn provides benefits to ratepayers, etc.) CESA welcomes discussion on this as the full array of rule changes and implementation aspects should be considered to inform any decision.

⁴ The CPUC is exploring enhancements to BTM resource participation through Demand Response model approaches. For more information, see the CPUC Load Shift Working Group.