

**Renewables Integration Market & Product Review
Phase 2 Revised Straw Proposal**

Submitted by	Company	Date Submitted
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The California Energy Storage Alliance (“CESA”) has repeatedly gone on record, in this stakeholder process, as strongly supporting the positive direction of prior iterations of the CAISO’s RIMR, Phase 2 that were very supportive of early adoption of energy storage technology in the form of pay-for performance of regulation services.¹ CESA is therefore dismayed to see the CAISO’s progress apparently being brought to an abrupt halt of indefinite duration. The Revised Straw Proposal includes no reference at all to pay-for-performance or “mileage” compensation. The stated reason for this sudden reversal of direction in a stakeholder process that CESA and its member companies have participated in actively for months is included in a presentation discussed with stakeholders on September 12: “Pay for Performance Regulation •Support, but want guidance from FERC on direction •Likely implement in mid-term period if approved.” (Slide 12).

CESA’s Comments submitted to FERC on the CAISO’s proposed Regulation Energy Management (“REM”) Tariff Amendment,² also on September 12, stated: “CESA is very troubled to be compelled to note here that there is no reference to pay-for-performance in the most recent version of the Revised Straw Proposal in the CAISO’s Renewable Integration and Market Product Review, Phase 2. Since it now appears that the CAISO intends to defer any action at all on pay-for-performance compensation, or a “mileage” payment, is essential that FERC strongly encourage the CAISO to immediately work on next step to ensure that the CAISO’s ancillary services markets compensate resources commensurate with the type of service they provide as a very high priority. Given that the CAISO agrees that there is merit to examining the implementation of a mileage payment and recognize its need to comply with any requirement to develop a mileage payment arising from FERC’s Frequency Regulation Compensation NOPR.³ CESA respectfully requests that FERC issue its Final Rule in that NOPR expeditiously.” (CESA’s REM Tariff Comments, p. 5).

In its Comments on the Frequency Regulation NOPR, the CAISO stated: “In the event the Commission adopts [pay-for-performance compensation], the Commission should recognize

¹ See, e.g., *Renewable Integration Market Vision & Roadmap, Day of Market, Initial Straw Proposal*, July 6, 2011, pp. 18-20.

² California Independent System Operator Corporation tariff filing per 35.13(a)(2)(iii): 2011-08-22 CAISO Regulation Energy Management Amendment to be effective 12/1/2011 (“REM Tariff”).

³ *Order on Notice of Proposed Rulemaking re Frequency Regulation Compensation in the Organized Wholesale Power Markets*, Docket Nos. RM11-7-000; AD10-11-000, 134 FERC ¶ 61,124 (October 2011) (“Frequency Regulation NOPR”).

that this action will require the ISO to make significant changes to its market systems, especially its settlement systems. These changes will require the ISO to consult with its stakeholders and will take at least 18 months to design, test and implement from the date of any order requiring implementation of the proposed rule.” (CAISO’s Comments, p. 3). CESA therefore respectfully urges the CAISO to begin making the changes to its market systems presently contemplated as within the scope of its Revised Straw Proposal, with the thought in mind that the CAISO will in fact be called upon by FERC to implement pay-for performance compensation in some form in the foreseeable future.

Waiting for FERC is not necessary as has been demonstrated by PJM. PJM has already begun to move forward with a proposal similar to the CAISO’s Initial Straw Proposal. The PJM proposal was developed in their Regulation Performance Senior Task Force meetings that have been convening since April 7th, 2011, and was presented to its Markets and Reliability Committee on September 15th, 2011.⁴ PJM’s proposal, like the CAISO’s initial proposal includes a capacity payment, mileage payment, and accuracy adjustment.⁵ The PJM proposal incorporates resource performance into the resource regulation qualification, market clearing and settlements processes and provides a working example of the methodology that can be employed by the CAISO to implement pay-for-performance compensation. CESA highly recommends that CAISO review PJM’s proposal as a source of real-world experience and guidance for its own pay-for-performance market design.

⁴ <http://www.pjm.com/~media/committees-groups/committees/mrc/20110915/20110915-item-13-rpsth-update-presentation.ashx>

⁵ <http://www.pjm.com/~media/committees-groups/task-forces/rpsth/20110902/20110902-item-02-rpsth-performance-plan-phase-1-and-2.ashx>