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CESA's Comments on July 26, 2016 Mtg on SB 350 Study and Regionalization

Additional submitted attachment is included below.

California Energy Commission
Docket No. 16-RGO-01

Comments of the California Energy Storage Alliance on the
Joint Agency Workshop on the Proposed Regionalization of the Independent System Operator

August 3, 2016

I. Introduction

The California Energy Storage Alliance ("CESA")[1] really appreciates the opportunity to comment on the Joint Agency Meeting on the CAISO SB 350 Study and related Regionalism in grid operations and in portfolio development.

The Meeting covered an array of study outcomes from the CAISO-managed SB 350 Study as well as approaches and criteria for regional governance models which would lessen the influence of California on CAISO Governance. Leaders from the California Energy Commission, the California Public Utilities Commission, the California Air Resources Board, and others raised questions and facilitated dialogue on these matters.

CESA's comments balance optimism around regionalization with caution against actions which may expose Californians to uncertain levels of risks and costs. While regionalization is a likely tool to address renewables integration, other tools exist, including energy storage. The 'how', 'when', and 'to what extent' California's legislature authorizes regionalization is a critical decision that should be evaluated carefully.

The SB 350 Study assessed Regionalization through modeling of three scenarios. Fundamentally, embedded in these scenarios are key policy questions that California must study and address as part of regionalism considerations:

[1] 1 Energy Systems Inc., Adara Power, Advanced Microgrid Solutions, AES Energy Storage, Amber Kinetics, Aquion Energy, Bright Energy Storage Technologies, Brookfield, California Environmental Associates, Consolidated Edison Development, Inc., Cumulus Energy Storage, Customized Energy Solutions, Demand Energy, Eagle Crest Energy Company, East Penn Manufacturing Company, Ecoult, Electric Motor Werks, Inc., ElectrIQ Power, ELSYS Inc., Enphase Energy, GE Energy Storage, Geli, Gordon & Rees, Green Charge Networks, Greensmith Energy, Gridscape Solutions, Gridtential Energy, Inc., Hitachi Chemical Co., Ice Energy, Innovation Core SEI, Inc. (A Sumitomo Electric Company), Invenergy LLC, Johnson Controls, K&L Gates, LG Chem Power, Inc., Lockheed Martin Advanced Energy Storage LLC, LS Power Development, LLC, Mercedes-Benz Research & Development North America, Nature & PeopleFirst, NEC Energy Solutions, Inc., NextEra Energy Resources, NGK Insulators, Ltd., NRG Energy LLC, OutBack Power Technologies, Parker Hannifin Corporation, Powertree Services Inc., Qnovo, Recurrent Energy, RES Americas Inc., Saft America Inc., Samsung SDI, Sharp Electronics Corporation, Skylar Capital Management, SolarCity, Sovereign Energy, Stem, SunPower Corporation, Sunrun, Swell Energy, Trina Energy Storage, Tri-Technic, UniEnergy Technologies, Wellhead Electric, Younicos. 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).

- To what degree should California pursue an expansion of its Day-Ahead Market Energy Scheduling and Transmission Scheduling beyond its current footprint?
- To what degree should California forego in-state generating resources, jobs, and related in-state tools for managing its electric grid?

CESA believes these are key policy issues and that the modeling effort undertaken by the SB 350 study should be the first step in the state's assessment of its future energy policy approaches.

II. Comments

A. The study alone is likely insufficient to warrant the immediate pursuit of regionalism because the study has multiple aspects which limit the precision of its analysis.

The study makes a critical assumption about a broad WECC-wide regionalization approach, which may be unrealistic. The study also shows benefits, but not, as CESA understands it, the incremental benefits of regionalizing in areas where robust power marketers already seek to represent a day-ahead 'optimization', and where Energy Imbalance Markets may already provide critical renewables integration benefits. Further, CESA remains unclear on if the modeling of the grid in one-hour increments adequately reflects real-world operating conditions in which uncertainty, maintenance requirements and outages of generating units and transmission facilities, competitions for out of state renewable sites, contingency situations, and other critical criteria must all be addressed.

Other modeling studies should be used to compare and contrast the SB 350 study scenarios with other perhaps smaller solutions, such as reforming transmission cost-recovery methods in non-CAISO areas, or using 15-minute scheduling in the CAISO in the Day Ahead Market solution.

While CESA appreciates the work of the SB 350 Study team, CESA remains unclear on aspects of the study and would appreciate additional time for reviewing the study assumptions. Based on comments of The Utility Reform Network (TURN), the study results may be highly linked to certain assumptions which warrant serious vetting. CESA has offered input to the study and will continue to work on understanding the study to offer constructive feedback to the study team.

B. In-state jobs and in-state capacity offer key benefits to California.

Regionalism may play a key role for California's clean energy future, but, per SB 350, California's existing Renewable Portfolio Standard appears focused on the use of in-state renewables. The creation of in-state jobs and in-state industry likely played a significant part in this legislative decision.

SB 350 targets a 2030 compliance date for a 50% RPS, which grants the state's agencies, utilities, and other groups with the time needed to develop renewables integration plans and solutions.

Energy storage solutions will play critical roles in helping California achieve its clean energy and greenhouse gas emissions goals by empowering customers to make smart decisions with their energy use, capturing and discharging energy from renewables, supporting grid needs such as ramping and voltage support, and reducing the need to rely on high emissions power sources. California's existing

procurement requirement for energy storage has attracted significant investment and progress in new projects, driving new in-state job creation and many advances with energy storage. Energy storage also enhances grid reliability and resiliency by reducing reliance on natural gas infrastructure, including on the Aliso Canyon natural gas facility.

The benefits of in-state renewables and in-state renewables integration solutions should be valued. An array of energy storage technologies and projects can be brought online to help address renewables integration needs. As seen with Aliso Canyon, the use of a diverse in-state fleet may be critical to supporting reliable grid operations. Energy storage solutions should be strongly considered in any forward-looking high RPS planning exercise.

C. The implications of a more regionally directed Transmission Planning Process, with FERC-directed cost-allocation, warrants further consideration.

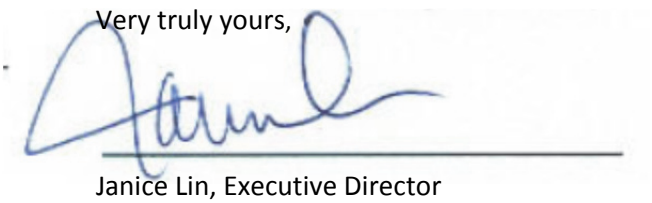
In both Regionalism reviews and governance reforms, the implications to the CAISO's Transmission Planning Process ("TPP") warrant careful reviews. As CESA understands it, cost-allocation of the TPP can be, at times, directed by the CAISO Board of Governors but also by FERC with the potential for large costs to be allocated. Naturally, California should ensure a clear and transparent process for how future TPPs will be conducted. The role in the Transmission Planning Process of any competing or different governing body seems crucial to address.

CESA strongly recommends consideration, as part of how California can pursue some more California-region tools and solutions to renewables integration, of a policy-directed 'energy storage as transmission' project. With this type of tool, the CAISO can operate the transmission resource to support grid operations, including the integration of renewables. Such a resource will help with the ramping challenges of 'the CAISO duck chart'. FERC has already established that energy storage can be classified and operated as a transmission resource.

III. Conclusion

CESA believes RPS goals of 50 or higher can and will be achieved both in California and likely beyond. Many resources, approaches, and tools will be used. A broad portfolio of solutions should be pursued, the costs of which should be equitably allocated. Energy storage solutions will play an important role in this future, and CESA looks forward to continued consideration of how best the state should plot its course. Generally, incremental actions to deploy storage in the state can and should be built upon.

Very truly yours,



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