



Submit comment on 2023 draft policy initiatives catalog

Annual policy initiatives roadmap process - 2023

1. Please submit comments on the draft 2023 catalog. You may upload documents using the "attachments" field below: *

CESA appreciates the opportunity to submit comments on the California Independent System Operator (CAISO or ISO) Draft 2023 Policy Initiatives Catalog. CESA will continue to be actively engaged in several ongoing stakeholder initiatives, including the Energy Storage Enhancements (ESE), Energy Storage Resource (ESR) Model, Price Formation Enhancements (PFE), and Day-Ahead Market Enhancements (DAME), among others, where continued enhancements to bid cost recovery (BCR) and multi-interval optimization (MIO) for energy storage resources and development of the imbalance reserve product will be critical to their efficient and reliable operation.

In addition, we are pleased to see two other planned initiatives included:

- **Frequency Response Measures** is a planned initiative with a yet-to-be-established timeline and schedule, but CESA strongly supports the development of a market-based frequency response product rather than one relying on continued transfers between balancing authorities. The Transmission Planning Process (TPP) has begun to conduct some of the long-term frequency response need that can be provided, for example, from battery storage resources, but as we see even higher penetrations of inverter-based resources and lose inertia on the system, we believe a market-based product will more efficiently procure in-market the frequency response capabilities, commitments, and deliveries that can be co-optimized with other CAISO services.
- **Energy Storage Distributed Energy Resources (ESDER) Enhancements** is another planned initiative without a set timeline and schedule, but it will be important to continue to enhance the market participation of distribution-connected resources, such as energy storage interconnected under the Wholesale Distribution Access Tariff (WDAT) and the operational limits placed on them by utility distribution companies (UDC), as well as to consider broader T&D coordination issues. This initiative could also support any needed further implementation of Order No. 2222 requirements.

Finally, CESA strongly supports the inclusion of **Reform of the Deliverability Assessment Methodology** in the draft catalog but requests that the CAISO prioritize this discretionary initiative given the potential for reforms to energy storage dispatch modeling assumptions in freeing up near- and mid-term deliverability, which will thereby support incremental capacity additions as the state faces shortfalls. With energy storage being a dispatchable resource and the majority of their deployments being energy-limited in nature (*i.e.*, 4 hours), it is important to reassess our core assumptions around how energy storage should be modeled in these deliverability studies. Especially in light of the California Public Utilities Commission's (CPUC) recent adoption of slice-of-day (SOD) reforms, the CAISO should launch this new initiative tasked with developing comprehensive reforms that fit within these new constructs where energy storage resources can be shown across different periods of the day. In addition, the deliverability reform initiative should

consider: (1) the appropriateness of n-2 contingency assumptions in all cases; (2) the location of storage resources; (2) how to incorporate long-duration energy storage (LDES) resources and how assumptions may need to differ; and (3) how behind-the-meter (BTM) storage aggregations can be considered in these studies when accounting for the fact that their export capacity is more likely to be consumed by local loads than to be delivered to the bulk power system.

Along these lines, CESA recognizes that a one-off stakeholder call was held on the June 6, 2022 regarding On-Peak Generation Deliverability Study Generation Dispatch Assumptions, which proposed and adopted changes to the level of storage dispatch relative to their maximum capacity, which is more consistent with expected storage behavior during the High System Need (HSN) and Secondary System Need (SSN) Scenarios, respectively. However, CESA also believes that the Reform of the Deliverability Assessment Methodology should revisit these dispatch assumptions and the hours included in each of the HSN and SSN scenarios should be revisited using additional event data. As it stands, the CAISO has determined to use incidental market dispatch of storage on a specific day at HE18 (which was at 80%), such that, when it comes to system reliability, energy storage will always be operating at 80% nameplate for the SSN scenario for the foreseeable future. In our view, this observed dispatch is an operational and market dynamic consideration rather than a reliability issue. As such, as the CAISO embarks on comprehensive methodology reform in this initiative, we request that, in parallel, the CAISO more closely reexamine this near-term assumption for storage resources using a wider dataset to not just capture a single day of dispatch but a subset of days where storage was needed for reliability.