

**NON-GENERATION RESOURCES IN CAISO ANCILLARY SERVICES MARKETS
Comments of the California Energy Storage Alliance (CESA) on
Issue Paper and Stakeholder Meeting Discussion**

The California Energy Storage Alliance (“CESA”) appreciates the opportunity to offer comments on the CAISO’s current effort to examine the provision of Ancillary Services (A/S) in CAISO markets by non-generation resources (“NGRs”). CESA is an ad-hoc advocacy group made up of energy storage and renewable energy integrators, developers and energy storage system manufacturers. CESA’s mission is to expand the role of energy storage to promote faster adoption of renewable energy and a more stable and secure electricity grid in California.

CESA is pleased to take this opportunity, on behalf of its entire membership, to express its strong support for the comments submitted by A123 and Beacon Power concerning the above-referenced subject. CESA plans to provide more extensive comments on the CAISO’s Post Draft Proposal when it is available, and will participate actively at the next Stakeholder Meeting that is presently scheduled to take place on October 21.

CESA advocates first and foremost for the CAISO’s express recognition and incorporation of the information and policy recommendations that have already been provided by A123, Beacon Power, and like-minded stakeholders into its Post Draft Proposal. At a minimum, this would include the extensive work done by other ISOs and the Electric Power Research Institute in developing its straw proposal for integrating Limited Energy Storage Resources into the CAISO Regulation markets.

CESA’s second recommendation is that the CAISO place very high priority in taking a leadership role to reconcile and modify NERC and WECC policies and standards as required. This would, of course, clearly focus on the fact that that the current language in the WECC Operating Reserve requirements limit the provision of Regulating Reserves to generation resources only.¹

NGRs including Energy storage technologies that are ‘technically capable of providing the ancillary service within the response time requirement, and that meet reasonable requirements adopted by the RTO or ISO as to size, telemetry, metering and bidding’ are commercially available today and, according to FERC Order 719, “must be eligible to bid to supply energy imbalance, spinning reserves, supplemental reserves, reactive and voltage control, and regulation and frequency response”.² NGRs and in particular, energy storage, is already able to

¹ WECC Operating Reserves define Regulating Reserves as Spinning Reserves immediately responsive to Automatic Generation Control. Spinning Reserve is defined as “unloaded generation which is synchronized and ready to serve additional demand”.

² Order No. 719, 125 FERC 61,071 (Issued October 17, 2008) at P. 49.

provide Regulation Ancillary Service in New England ISO, New York ISO, PJM and Midwest ISO markets. California, with its rich renewable energy resources should make every effort to accelerate its compliance with FERC Order 719 and level the playing field for NGRs with traditional generators.

Third, CESA strongly supports the principle of technology neutrality in developing any new market rules. In other words, NGR incorporation into CAISO's Ancillary Services Markets should allow each technology to compete on a level playing field with respect to other technologies and technology classes (*e.g.* demand response). That is, such rules should reflect the technical capabilities and constraints of energy storage resources, so as to allow entry in the A/S markets, but in doing so avoid creating barriers to other resources participating in the A/S markets. For example, energy storage eligibility for CAISO A/S markets should not be limited to 'Limited Energy Resources' if 'Limited' is defined as having less than one hour of power – other storage technologies with longer discharge durations should be eligible to participate, provided that they meet all other requirement with respect to response time, size in aggregate, telemetry, bidding and metering.

CESA further appreciates the specific timeline that was provided in the issue paper, and looks forward to reviewing the draft Straw Proposal scheduled for release on October 14, 2009.