



November 6, 2024

VIA ELECTRONIC MAIL

CAISO Board of Governors, Western Energy Markets Governing Body
250 Outcropping Way
Folsom, CA 95630

RE: CalCCA Recommendation of CAISO Board of Governors' and Western Energy Markets Governing Body Adoption of Storage Bid Cost Recovery Enhancements

Dear Board of Governors and Governing Body Members,

The California Community Choice Association¹ (CalCCA) recommends adoption of the recommendations of the California Independent System Operator (CAISO) Management and the Department of Market Monitoring (DMM) to identify and pursue changes to the bid cost recovery (BCR) mechanism as it pertains to battery storage devices.² The CAISO market correctly provides for BCR to ensure that resources are dispatched efficiently and do not operate at a loss. Prior to the large expansion of battery storage, the mechanism primarily evaluated actual costs to a generator to provide incremental energy output. This included elements with generally known costs, like start-up costs, minimum load costs, and the costs of operating above minimum load. Energy storage resources have an additional unique element impacting energy output: the state-of-charge of the device. The CAISO and DMM have demonstrated that the interaction between state-of-charge and BCR can present a potential for undeserved BCR payments that can result from gaming of the bid by the energy storage provider.

¹ CalCCA is a trade association representing the interests of 24 community choice aggregators (CCA) in California. CalCCA's membership serves over 14 million customers in over 200 cities and counties throughout the state, representing roughly one-third of the CAISO load in California.

² See Memorandum from Anna McKenna to ISO Board of Governors and Western Energy Markets Governing Body, *Decision on Storage Bid Cost Recovery Enhancements* (Oct. 31, 2024).

CalCCA agrees that the current BCR rules do not adequately suit the characteristics of energy storage devices and can result in payments beyond those necessary to make storage resources whole in the market. As identified by the CAISO and DMM, current BCR for storage resources can potentially lead to gaming of bids resulting in excess profit at the expense of consumers.

Given the immediate and known risks of the current BCR mechanism as applied to battery storage and the proliferation of energy storage devices in the markets, the Board of Governors and Governing Body Members should authorize the CAISO to file the proposed tariff amendment with the Federal Energy Regulatory Commission. The CAISO should then further refine the mechanism in a thorough stakeholder process to address additional concerns that market participants and the DMM have identified.

Sincerely,

CALIFORNIA COMMUNITY CHOICE ASSOCIATION

A handwritten signature in black ink, appearing to read "Eric Little", written over a light blue horizontal line.

Eric Little
Director of Market Design