

Comments of Marin Clean Energy, Pioneer Community Energy, San Diego Community Power, and San José Clean Energy on Proposed Revision Requests 1658 and 1659

Dear CAISO,

Marin Clean Energy, Pioneer Community Energy, San Diego Community Power, and San José Clean Energy (collectively the “Joint CCAs”) appreciate the opportunity to comment on CAISO’s Proposed Revision Requests (“PRRs”) 1658 and 1659. The Joint CCAs respectfully urge CAISO to withdraw PRR 1658, related to business processes for the Off Grid Charging Indicator (“OGCI”), a biddable parameter that permits co-located storage resources to elect not to “grid charge,” and its companion proposed revision, PRR 1659, for resources offering Flexible Resource Adequacy (Flexible “RA”). These revisions would undermine the purpose of a tariff amendment CAISO proposed and FERC approved in 2023; they reflect a policy proposal with significant ramifications for market participants that should not be contemplated through the Business Practice Manual Change Management Process via PRRs. Instead, these changes should be explored, if at all, through CAISO’s Policy Initiative process to ensure adequate and meaningful stakeholder engagement and feedback.

CAISO’s Energy Storage Enhancements – Phase 2 Initiative culminated in a Tariff Amendment to create a “Charging Constraint,” known as OGCI. OGCI created a biddable parameter reflecting a storage resource’s election not to bid beyond the output of its co-located Variable Energy Resource.¹ FERC accepted the Tariff revisions on September 29, 2023.² As CAISO explained at the time, local and federal taxes that incentivize renewable development discourage storage resources from “grid charging,” *i.e.*, charging from sources other than a co-located renewable resource.³ This resulted in power purchase agreements that limit grid charging by storage resources. The stakeholder engagement process surfaced the delicate balance faced by storage resources with contractual grid charging limitations – must-offer obligations require them to bid economically or self-schedule, potentially resulting in a schedule to charge during a real-time interval, and resources are also required to follow dispatch instructions.⁴

CAISO therefore created a “new functionality for storage resources to help address some of the concerns voiced by stakeholders.”⁵ In particular, “[t]his functionality will be electable on an hour by hour basis and offered to any co-located storage resources and will prevent ‘grid charging.’”⁶ CAISO implemented this new functionality by amending the Tariff to allow a

¹ [Aug1-2023-TariffAmendment-EnergyStorageEnhancements-Phase2-ER23-2537.pdf](#) (“August 1, 2023 Tariff Amendment”).

² 184 FERC ¶61,209.

³ August 1, 2023 Tariff Amendment at page 4; Energy Storage Enhancements, Final Proposal (Oct 27, 2022) (“Final Proposal” available at [California ISO - Energy storage enhancements](#)) at page 20.

⁴ Final Proposal at 21.

⁵ *Id.* at 21.

⁶ *Id.*; see also August 1, 2023 Tariff Amendment at page 5 (“The CAISO proposes to create a “Charging Constraint” co-located storage resources can use to help avoid grid-charging.”).

storage resource to “include Charging Constraints in its Bids.”⁷ “The Charging Constraints will reflect an election not to charge beyond the output of the co-located Variable Energy Resource(s) in a given hour.”⁸ At the same time, CAISO also amended the Tariff “to expressly allow co-located storage resources to deviate from any dispatch instructions that would conflict with their charging constraints.”⁹ As CAISO stated and FERC acknowledged, “the storage resources would still be subject to imbalance energy charges for the deviation but would not be subject to the other penalties in the CAISO Tariff.”¹⁰

In adopting the Tariff amendment, CAISO also acknowledged the limitations of OGCI. It made clear that OGCI “will not apply in operating intervals where the storage resources receive an award to provide regulation.”¹¹ And it made clear that even where a storage resource elects OGCI, “the CAISO may still use its authority to issue exceptional dispatches to manage reliability.”¹²

FERC accepted the Tariff amendment based on its finding “that establishing the Charging Constraint bidding parameter improves the ability of co-located resources to avoid grid-charging and improves the accuracy of dispatch instructions to co-located storage resources. Moreover, by allowing co-located resources to avoid grid-charging, the proposed Tariff revisions will enhance the ability of co-located resource owners to manage grid-charging.”¹³

PRR 1658, however, now proposes to add language to the BPM for OGCI that would materially limit the application of OGCI and undercut CAISO’s stated purpose of OGCI. PRR 1658 states:

It would raise serious compliance questions [related to tariff section 37.3.1 for resources to submit feasible bids] if the co-located storage resource submitted charging bids with the parameter selected for hours after sunset. This is particularly so where the co-located storage resource is a Resource Adequacy Resource and may have submitted infeasible bids to meet the Resource Adequacy must-offer obligation.

The PRR strongly suggests that submission of bids during non-solar hours, with OGCI elected, would violate the Tariff’s feasible bid requirements. The PRR materially undercuts CAISO’s stated purpose in creating OGCI, which was “to prevent grid charging.”¹⁴ In amending the Tariff, CAISO carefully signaled to stakeholders the limitations of OGCI – it does not apply when a storage resource receives a regulation award and it does not preclude issuance of an

⁷ Tariff Section 30.5.6.3.

⁸ *Id.*

⁹ August 1, 2023 Tariff Amendment at page 6; *see also* Tariff Section 34.13.3.

¹⁰ 184 FERC ¶61,209 at ¶12.

¹¹ August 1, 2023 Tariff Amendment at page 6.

¹² *Id.*

¹³ 184 FERC ¶61,209 at ¶25.

¹⁴ Final Proposal at 21.

Exceptional Dispatch.¹⁵ In proposing OGCI and updating its Tariff there was no indication that OGCI would not apply in non-solar hours. Both CAISO in proposing and FERC in approving the Tariff amendment spoke of OGCI in broad terms as allowing storage resources to avoid grid charging. Now, through a PRR CAISO is proposing a significant retreat from the purpose underlying the Tariff amendment. The proposed revisions amount to material policy changes, not mere clarifications, which should be addressed through the Policy Initiative process.

Specifically, if adopted, PRR 1658 would now appear to limit OGCI’s use to solar hours, and presumably to apply solely to the narrow circumstance when a storage resource is dispatched to charge based on forecast but actual generation deviates from forecast. This narrow application, while important, hardly addresses the broader needs of storage resources contractually restricted from grid charging, needs that CAISO stated OGCI was intended to address.

Particularly troubling is the suggestion that the election of OGCI during non-solar hours violates the Tariff’s feasible bid requirement. CAISO’s Final Proposal recognized that storage resources have must-offer obligations to submit bids.¹⁶ The 2023 Tariff amendment was carefully drafted to create OGCI as a “*biddable* parameter.”¹⁷ In particular, CAISO adopted Section 30.5.6.3 to permit a storage resource to “elect” not to grid charge and designate the election as a “Charging Constraint *in its Bids*.”¹⁸ By specifically including OGCI as a parameter *in the bid*, a charging bid with the parameter selected transparently conveys to CAISO that the resource is not available to grid charge. The feasible bid provision of the Tariff requires market participants to submit bids “from resources that are reasonably expected to be available and capable of performing *at the levels specified in the Bid*.”¹⁹ Under the plain language of the feasible bid provision, a charging bid with OGCI elected *is* feasible because the charging constraint is *specified in the bid* and the market participant is reasonably conveying that limitation. At the same time, the charging bid is not pointless; it still signals to CAISO the resource’s availability for an Exceptional Dispatch, which CAISO expressly indicated OGCI would not override.

In addition, the Tariff amendment authorizes deviations from dispatch instructions when OGCI is elected.²⁰ As CAISO and FERC explained, where resources deviate from dispatch, “the storage resources would still be subject to imbalance energy charges for the deviation *but would not be subject to the other penalties in the CAISO Tariff*.”²¹ The Tariff amendment therefore clearly contemplated that storage resources would submit bids to charge that include an election not to grid charge, or there would be no need to authorize deviations from dispatch. And, the Tariff amendment created an explicit consequence when a resource that submits a bid with OGCI elected deviates from dispatch – uninstructed imbalance energy charges. It would be illogical to

¹⁵ August 1, 2023 Tariff Amendment at page 6.

¹⁶ Final Proposal at 21.

¹⁷ August 1, 2023 Tariff Amendment at page 5 (emphasis added).

¹⁸ Tariff Section 30.5.6.3 (emphasis added).

¹⁹ Tariff Section 37.3.1.1 (emphasis added).

²⁰ Tariff Section 34.13.3.

²¹ 184 FERC ¶61,209 at ¶12 (emphasis added).

authorize storage resources to submit charging bids with OGCI elected, to deviate from dispatch, and to incur uninstructed imbalance energy charges under those circumstances, if those bids were actually infeasible bids that should not have been submitted at all.

For these reasons, PRR 1658 materially undercuts the CAISO's 2023 Tariff amendment and represents a significant departure from the policy underlying that amendment to allow contractually restricted storage resources to avoid grid charging. Such a consequential policy shift is unsuited to a PRR and should instead be addressed in CAISO's Policy Initiative process to ensure adequate and meaningful stakeholder feedback.

PRR 1659, the companion to PRR 1658, should be withdrawn for similar reasons. PRR 1659 appears to suggest that the mechanism for addressing the needs of storage resources contractually restricted from grid charging is not to use OGCI but instead to alter their Flexible RA showing. PRR 1659 also proposes to add language indicating that a resource's Effective Flexible Capacity ("EFC") value is its "maximum" value, suggesting that the MW quantity of flexible capacity a storage resource may qualify to provide is lower than its EFC. Disqualifying capacity from providing EFC based on when a Scheduling Coordinator could "reasonably foresee" an "operating limitation" is ambiguous. Operating limitations of OGCI resources are highly dependent upon CAISO market dispatches *in real-time*. The CAISO does not provide any examples of situations when a Scheduling Coordinator could "reasonably foresee" operating limitations at the time of the RA showing.

As discussed above, federal and state tax incentives resulted in power purchase agreements that contain contractual limitations on grid charging to incentivize development of renewable resources. CAISO observed in the course of the Energy Storage Enhancements Policy Initiative that such resources may face challenges in complying with Tariff provisions, referencing must-offer obligations and requirements to comply with dispatch instructions.²² CAISO's Final Proposal did not suggest that the mechanism for addressing these compliance needs was for these resources instead to include in their RA Supply Plans a lower MW quantity of flexible capacity than their EFC. Such an approach would significantly upend market participants' expectations, and like PRR 1658, PRR 1659 represents a highly consequential policy proposal that would make changes to rates, terms, or conditions of the Flexible RA product. It therefore is not a change that should be contemplated in the PRR process.

For the above stated reasons, the Joint CCAs respectfully request that CAISO withdraw PRRs 1658 and 1659. The changes proposed in these PRRs should be explored, if at all, through the CAISO's Policy Initiative process to ensure adequate and meaningful stakeholder engagement and feedback.

²² Final Proposal at 21.

Respectfully Submitted,

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