



FERC dismisses Nevada Hydro's petition involving pumped storage facility

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FERC, in a Sept. 20 order, dismissed **Nevada Hydro Company's** March petition, which sought a declaratory ruling that finds, for instance, that the Lake Elsinore Advanced Pumped Storage (LEAPS) facility is a transmission facility consistent with a previous FERC order and FERC's 2017 policy statement regarding cost recovery for storage resources.

As noted in the order, the petition also sought that the declaratory ruling find that LEAPS is entitled to cost-based rate recovery under the **California ISO's** (CAISO)

Transmission Access Charge (TAC).

In its order, FERC noted that Nevada Hydro's proposed \$2bn LEAPS project will consist of two primary components:

- A 500-MW pumped storage facility to be located on Lake Elsinore in Riverside, Calif.
- The Talega-Escondido/Valley-Serrano 500-kV Interconnect (TE/VS Interconnection), which is a 30-mile transmission line that will interconnect the pumped storage facility to the transmission systems owned by **Southern California Edison** (SCE) and **San Diego Gas & Electric** (SDG&E)

The LEAPS project entered CAISO's generator interconnection queue in 2005 and has large generator interconnection agreements (LGIA) with CAISO and SCE, as well as with CAISO and

SDG&E, FERC said. LEAPS' hydroelectric license application is pending before FERC in another docket, Docket No. P-14227-003.

Both the pumped storage facility and TE/VS Interconnection were the subject of a previous request for transmission rate incentives under Order No. 679, FERC added. While FERC approved certain rate incentives for the TE/VS Interconnection, it denied Nevada Hydro's requested incentives for the pumped storage facility because it was ineligible for transmission rate incentives under Order No. 679.

As [TransmissionHub reported](#), FERC has noted that Order No. 679 set forth processes by which a public utility may seek transmission rate incentives under section 219 of the Federal Power Act.

In its Sept. 20 order, FERC said that in the instant petition, Nevada Hydro contends that it satisfies FERC's criteria for storage to operate as a transmission facility, with the company explaining that it, not CAISO, will maintain operational responsibility for LEAPS. Nevada Hydro asserts that it will develop and implement operating procedures with CAISO to operate LEAPS as a traditional transmission facility to ensure that it does not adversely affect CAISO's independence and non-discriminatory services.

FERC added that Nevada Hydro proposes that it will become a participating transmission owner (PTO) in CAISO and operate LEAPS as a transmission facility under the direction of CAISO through the Transmission Control Agreement. Therefore, Nevada Hydro contends that it will operate LEAPS in the same way that other PTOs in CAISO operate their transmission facilities, FERC said.

Nevada Hydro states that LEAPS will operate as a wholesale transmission facility that will transport stored energy to serve retail load, similar to a transmission line, and will provide voltage support that is necessary for the operation of the transmission system.

FERC added that Nevada Hydro also states that, through its storage capability, LEAPS will be able to transmit electricity to SCE and SDG&E to alleviate existing transmission constraints. In addition, Nevada Hydro asserts that LEAPS is designed to be used by CAISO to resolve transmission and system reliability issues when the system is experiencing over-generation conditions; maintain reliability when other transmission facilities are out of service for maintenance; and provide grid resilience as the grid relies increasingly on intermittent resources.

FERC added that Nevada Hydro asserts that LEAPS will not participate in CAISO's wholesale power markets as a market participant and thus will remain revenue neutral with respect to any incidental wholesale power sales. Nevada Hydro also asserts that CAISO will play no role in

decisions about whether to offer LEAPS into the markets, the parameters for such offers, or the scheduling of market services from LEAPS.

In addition, Nevada Hydro explains that it also will credit any revenues that it receives as a result of “incidental participation in California’s wholesale power markets” against its transmission revenue requirement, FERC added.

Nevada Hydro explains that it does not seek any transmission rate incentives and instead seeks “to remove uncertainty regarding the eligibility of LEAPS to be studied as a transmission facility in the CAISO transmission plan for cost-based rate recovery through its [TAC] like other wholesale transmission facilities,” FERC said.

FERC said that it dismisses Nevada Hydro’s petition and finds that a request to designate LEAPS as a transmission facility is premature at this time. LEAPS has not been studied in the CAISO regional transmission planning process (TPP) to determine whether it addresses a transmission need identified through that process, and, if such a need were met, how the facility would be operated, FERC said.

“Absent such information, the commission cannot make a reasoned decision on whether LEAPS is a transmission project and thus eligible for cost-recovery under the TAC,” FERC said.

Requiring LEAPS to be reviewed through the CAISO TPP is consistent with FERC’s policy that regional transmission planning processes should identify transmission needs and solutions in a coordinated, nondiscriminatory process that is open to all interested stakeholders, FERC said.

CAISO’s TPP provides stakeholders an open and transparent process to identify transmission constraints that may be resolved through specific proposals and to comment on potential solutions, FERC said, adding, “On this point, we note that CAISO has committed to studying LEAPS as a transmission proposal, both as a means to address reliability needs (if it is submitted in an appropriate request window of CAISO’s TPP and if the proposal specifies the CAISO-identified reliability constraints the project could mitigate), and as an economic planning study request.”

FERC said that given the uncertainty over whether LEAPS will meet identified transmission needs in the CAISO TPP, and, if so how CAISO would require LEAPS to be operated to meet those needs, FERC can only determine whether or not LEAPS is a transmission facility after it has been studied through the CAISO TPP.

FERC also noted that the “Storage Policy Statement” does not provide guidance for determining whether a particular electric storage resource is a transmission facility eligible for cost recovery through transmission rates. Instead, FERC said, the “Storage Policy Statement” provides guidance only with respect to issues that must be addressed if an electric storage resource

seeks to receive cost-based rate recovery for certain services, whether through transmission rates or any other cost-based rate, while also receiving market-based revenues for providing separate market-based services.

Whether FERC will approve any particular form of cost-based rate recovery, through transmission rates or otherwise, is a separate matter, FERC said, adding, "Because an electric storage resource may not readily fit into only one of the traditional asset functions of generation, transmission, or distribution, the commission has addressed the classification of electric storage resources on a case-by-case basis."

FERC said that it finds that Nevada Hydro's arguments that LEAPS is a transmission facility are too general to support such a finding in the absence of specific, transmission planning process-identified transmission needs and an explanation of how LEAPS will operate to address those particular transmission needs.

FERC said that if the CAISO TPP ultimately identifies LEAPS as a more efficient or cost-effective solution to identified transmission needs, and Nevada Hydro wishes to seek cost recovery through the CAISO TAC, then Nevada Hydro must demonstrate to FERC how the manner in which LEAPS would operate to address the identified need in the TPP makes it a transmission facility, such as through a filing for cost recovery under Federal Power Act section 205 that sets forth the revenue requirement that Nevada Hydro proposes to include in the CAISO TAC.

Company response

Project Manager David Kates on Sept. 26 told *TransmissionHub* that FERC "wants Nevada Hydro to submit to the CAISO transmission planning process (TPP) and the outcome, if necessary, will provide a context in which it can make a decision in the future. FERC ruled only that our petition was premature."

Kates continued: "We were pleased to see that FERC acknowledged that the CAISO has committed to studying LEAPS as a transmission proposal that might address reliability needs. In that regard, we are submitting LEAPS to the CAISO's present TPP window and requesting that LEAPS be analyzed both as a reliability and economic project. As a result, both we and FERC will await the outcome of the CAISO's analysis."

Kates noted that the recently passed SB 100, signed into law by California Gov. Edmund Brown Jr., earlier this month, "underscores the need for more energy storage to support the transition to renewable energy. This will only increase the difficulties the CAISO will be facing as the state transitions to higher RPS levels, and consequently increase the need and value for large storage to keep the grid stable."

According to a Sept. 10 [statement](#) posted on Brown's website, SB 100 advances California's existing renewables portfolio standard, which establishes how much of the electricity system should be powered from renewable energy resources, to 50% by 2025 and 60% by 2030. The bill also puts the state on the path to implement a zero-carbon electricity grid by 2045, the statement noted.

By

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